

City of Kankakee, Illinois

**Comprehensive
Annual Financial Report
for the Fiscal Year Ended
April 30, 2010**

Prepared by:
The Comptroller's Office
James A. Spice
Comptroller

**CITY OF KANKAKEE, ILLINOIS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED APRIL 30, 2010**

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INTRODUCTORY SECTION



Comptroller
304 South Indiana Avenue
Kankakee, Illinois 60901
(815) 933-0491 Fax (815) 936-7329

November 23, 2010

Honorable Mayor, City Aldermen, and citizens of the City of Kankakee:

The Comprehensive Annual Financial Report (CAFR) of the City of Kankakee, Illinois for the fiscal year ended April 30, 2010 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with City of Kankakee management. To the best of the Comptroller's knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of all the governmental activities, business-type activities, component units, and funds of the City of Kankakee. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City adopted the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, beginning with the fiscal year ended April 30, 2004. The GASB is an organization that establishes accounting and financial reporting standards for state and local governments in the United States. GASB Statement No. 34 significantly changed the required format for governmental statements in a number of ways. The most significant of these changes was to require that governments prepare entity-wide financial statements in addition to the fund-based financial statements that governments have traditionally prepared. The entity-wide financial statements present a government's financial position and results of operations in a manner similar to a business.

This letter of transmittal should be read in conjunction with management's discussion and analysis (pages 3-14) to obtain the most complete assessment of the City's current financial status and its future prospects.

The Reporting Entity and its Services

This report includes all of the funds for the City of Kankakee (the primary government), as well as its component units, the Kankakee Public Library and Special Service Area #1. Component units are autonomous entities for which the primary government is financially accountable.

The City of Kankakee was incorporated in 1865 and operates as a home rule municipality pursuant to the 1970 Illinois Constitution. The City is governed by an elected mayor and a City Council comprised of 14 aldermen. Two aldermen are elected from each of the City's seven wards for four-year terms. Mayoral elections are held every four years.

The City provides a full range of public services including: public safety (police, fire, emergency ambulance, and code enforcement), street and public infrastructure maintenance, sanitation, sanitary sewer collection, storm drainage, health and social services, culture and recreation, municipal planning and zoning, and general administrative services. Wastewater treatment service is provided by the Kankakee River Metropolitan Agency ("KRMA"), which is jointly owned and operated by the City and

the neighboring Villages of Bradley, Bourbonnais and Aroma Park. Water service is provided by Aqua Illinois Water Company, a private utility.

The City of Kankakee is located in Kankakee County, approximately 60 miles south of Chicago in the northeastern section of the State of Illinois. The City has recently extended its boundaries in a southerly direction through annexation. Since 1990, the area of the City has grown from 10.2 square miles to the current 14.5 square miles, an increase of 42% in land area. With a current population of 27,491 (2000 U.S. Census), the City acts as the industrial and service center for the Kankakee metropolitan area, operates as the center of a metropolitan populace of approximately 65,000 people, and is the county seat of Kankakee County, which has a population of 103,833 people.

The Kankakee River

One of the City's greatest assets from an economic and recreational standpoint is the Kankakee River, which flows in a northwesterly direction through the middle of the City. At the point where it flows through the City, the river is about $\frac{1}{4}$ of a mile wide. There are several City parks along the river's edge that provide opportunities for public fishing and boating activities. At the end of each summer, the City hosts a national speed boat racing championship on the river which draws many boaters and tourists to the area. The Kankakee River State Park, which covers an area of about 4,000 acres, is located about seven miles northwest of the City. The park attracts thousands of tourists to the area annually.

The Kankakee River serves as the source for the metropolitan region's drinking water supplied by Aqua Illinois, Inc., a private utility. The river has a dam close to the downtown area of the City. The water behind the dam powers a City owned low-head hydroelectric plant. The plant generates electricity that is used for the operation of the KRMA wastewater treatment plant.

Transportation

The City is situated in the center of Kankakee County, which is contiguous to Will County on its northern border. One of the nation's major north-south routes, I-57, passes along the eastern side of the City. This interstate highway provides access to the heart of the City of Chicago in approximately one hour driving time. The City of Kankakee is about 30 miles south of I-80, a major national east-west highway connecting the east and west coasts of the nation.

The City's public road transportation needs are met by Greyhound bus line, as well as the region's metropolitan bus service. Railroads serving the County include Illinois Central Gulf (owned by Canadian National Railroad), Conrail (owned by Norfolk Southern), and Amtrak (provides passenger service). The Kankakee Valley Airport is located two miles south of the City and has hangar space for 110 aircraft. The airport is utilized by both general aviation aircraft and corporate planes.

Education

Kankakee School District No. 111 provides educational services for pre-kindergarten through grade 12 with enrollment of approximately 5,169. One parochial school serves the Kankakee area. Higher education is available through Olivet Nazarene University (a four-year liberal arts college) in Bourbonnais, and Governor's State University, which is located about ten miles north of the county line in Will County (University Park). Olivet Nazarene University has increased its enrollment to the current level of 4,500, which includes 3,045 undergraduates. The number of students living on-campus has grown substantially from 1,100 in 1990 to 1,986 in 2008. The greatest enrollment growth has occurred at the graduate level, where the number of students has grown to the current level of approximately 1,494. Two year undergraduate education is offered at Kankakee Community College, located on a 160 acre campus in Kankakee. There are 3,521 students currently enrolled at the community college.

Internal Control Objectives and Inherent Limitations

City of Kankakee management is responsible for establishing, implementing and maintaining a framework of internal controls designed to ensure that City assets are protected from loss, theft or misuse, and to ensure that sufficiently reliable information is compiled to provide for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of control should not exceed the benefits likely to be derived, the City of Kankakee's internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

The Comptroller's Office is responsible for providing all centralized City financial services, including financial accounting, reporting, budgeting, payroll, collections, accounts payable, cash and investment management, and debt management. The Comptroller, who is appointed by the Mayor to supervise the department's operations, asserts that, to the best of his knowledge and belief, this financial report is complete and reliable in all material respects.

Budget Process

The City of Kankakee adopts annual budgets for the General Fund, Band Fund, Park Fund, IMRF Fund, SSA#2 Fund and SSA#3 Fund. For the other special revenue funds, legally authorized non-appropriated budgets are used to control expenditures on a project (or designated purpose) basis, and are carried forward each year until the project is completed or the designated purpose has concluded. No legally adopted budgets are prepared for the capital projects and debt service funds. Expenditures for capital project funds are controlled on a project basis. Expenditures for debt service funds are controlled through general obligation bonds' indenture provisions. Additional information related to the City's budget process can be found on page 78 of this report.

Long-term Financial Planning

The City endorses the concept that those who benefit from the use of the City's capital assets should pay a proportionate share of the costs of those assets. The City has financed a host of capital projects (over \$47 million) over the past 17 years through the issuance of bonds. This has enabled the City to amortize the costs of the projects, at least to a degree, over the life of the constructed assets. The Capital Projects Fund, which provides the financing for major capital improvements over a multi-year basis, has been a useful tool to the City in planning for the replacement and enhancement of its infrastructure assets.

Major Initiatives and Economic Outlook

Employment opportunities in the City are diverse. On the private side, several companies in the Kankakee metropolitan area are manufacturing divisions of Fortune 500 companies making a variety of products. Many of these industries compete in national and international markets. Major regional employers include Armstrong World Industries, Cognis Corporation, K-Mart and Sears Distribution Centers, Wal-Mart, CSL Behring, Rohm & Haas, CIGNA Insurance Claims Processing Center, Baker and Taylor, Provena St. Mary's Hospital, Super K-Mart, Riverside Medical Center and Shapiro Developmental Center.

The Kankakee metropolitan area has benefited from the investment in commercial activity. In August 1990, Northfield Square opened on the outskirts of the City. Northfield Square is a sizable mall, and includes Sears, JC Penny, and Carson Pirie Scott anchor stores. Mall stores employ about 1,000 people. Several other stores and establishments that are nationally recognized have operations located in the area. They include Holiday Inn Express, America's Best Inn, Fairfield Inn, Hampton Inn, Best Buy, Red Lobster, Pizza Hut, Pier 1 Imports, Lone Star Steak House, Cracker Barrel, TGI Fridays, Old Country Buffet, Target, Barnes & Noble Booksellers, Staples, International House of Pancakes, and Buffalo Wild Wings.

In 2003, the City initiated redevelopment at Exit 308 on the southern border of the City. The project initially brought a Hilton Garden Inn hotel/convention center complex (completed late Summer 2004). A Gas City service station, which includes Dunkin Donuts, Great American Hotdog, and Subway Sandwich shops, opened in December 2005. A Taco Bell/Kentucky Fried Chicken Restaurant opened in late 2007, and a WalMart Super Center opened for business in April 2008 in the project area. During fiscal 2009, a Dollar Tree Store, the El Mexicano Restaurant, U.S. Cellular Store, Best Mattress Store, and the Cash Store commenced operations in a retail outlet complex located between the hotel and the WalMart. There is optimism that this project will continue to act as an anchor for additional commercial and residential growth in south Kankakee.

In fiscal year 2000, the City entered into sales tax sharing agreements with various retail firms. These agreements have added a substantial amount of additional sales tax revenue to the City's General Fund. This tax sharing program is based on a company's willingness to site a purchasing and/or sales approval office within the boundaries of the City. The agreements provide that the City will share a portion of the local share of sales taxes that are generated on the transactions of the partnering companies.

The City's General Fund balance decreased \$1.2 million this fiscal year. A key factor in the decline of the General Fund balance was the national economic slowdown, which lead to a \$3.3 million decline in sales tax revenues from the prior year's actual receipts. Sales tax incentives, which closely correlate to the sales tax revenues, declined \$2.4 million over the same period.

Despite the decline in sales tax revenues, the City continues to benefit from the aforementioned sales tax incentive program, as it provided finances to allow the City to eliminate its COP's fee, which generated approximately \$0.5 million a year in revenue through fiscal 2007. The City was also able to eliminate the vehicle license fee four years earlier as a result of the revenue produced by the sales tax incentive program.

National economic conditions continued to impact the City's General Fund for a second year. There were some year-over-year increases and decreases in categories of revenue and expenditures other than sales tax, but the sales tax line items more than accounted for all of the declines in both General Fund revenues and expenditures for fiscal 2010.

The City had not fully anticipated the extended national economic conditions when it formulated its fiscal 2010 budget. The City had already posted a \$0.9 million decline in fund balance during the 2009 fiscal year, where the sales tax was again the major contributor, with a decline of \$2.2 million in sales tax revenues from fiscal 2008. The continued decline in sales tax revenue and the national economic slowdown placed the City in the position of making major changes to the way it operates as it prepared its fiscal 2011 budget.

As fiscal 2010 was drawing to a close, the City knew that it was having financial stresses in its General Fund, and it was faced with additional challenges that would affect the 2011 fiscal year. It had received notice that the health insurance carrier was proposing a 72% increase in premium rates, that the State of Illinois, in facing its own fiscal difficulties, was contemplating reducing the income tax municipal distribution (estimated to be a \$0.6 million reduction of General Fund revenue), and that it faced contractual wage increases for its employees, among other issues.

Armed with that information, the City approached all of the bargaining units to propose major employee pay concessions or massive employee layoffs. The employees responded, granting pay and other concessions that reduced the City's overall budgeted costs by 12% for fiscal 2011. The City also negotiated with the health insurance carrier, and ultimately changed carriers and implemented major changes to its health insurance offerings.

Other steps the City took in anticipations of the 2011 fiscal year was to monetize and formalize an informal debt its sewer utility owed to the General Fund so the debt proceeds could be used as needed throughout the fiscal year, and the reorganization of the Public Works Department under the newly created Environmental Services Utility. The Public Works reorganization allowed some flexibility on the recapture of costs from solid waste collection and disposal.

It has been the City's continued intention to increase the General Fund's reserves to a level of 2 to 3 months of spendable reserves, and the Fiscal 2010 budget did include a \$0.25 million planned increase in General Fund balance. However, as discussed above, national economic conditions have actually resulted in a \$0.9 million spend down of General Fund balance in fiscal 2009, and another \$1.2 million spend down during the current year. The City did adopt a balanced budget for fiscal 2011, but the budget does not provide for any increase in the City's fund balance. The continued national economic downturn reinforces the prudence of a municipality's maintenance of a fund balance.

The City completed renovations to the former Library Building in July 2008, and that building now acts as the City Administration Building (Mayor, Clerk, Legal, Personnel, Comptroller, and Adjudication). The old City Hall was also renovated, and opened in April 2009 as the Public Safety Center. It houses

the Police Department and the Fire Department Administration Division. City Council meetings are again being conducted in the Council Chambers of the Public Safety Center.

Other significant economic events during the past few years include the following:

- continued investments in infrastructure improvements (curb, gutter, sidewalk, and other capital improvements and additions) of over \$47 million throughout the City
- completion of the Wal-Mart Store, a new 200,000 square foot, \$10 mil. prototype super center store that employs between 350 to 500 people, located at Exit 308 of I57 adjacent to the new Hilton Gardens Hotel (opened April 2008);
- completion of a four-story parking garage at Riverside Hospital; additional expansion of the medical facilities for outpatient care and physician offices completed at a total estimated investment of \$24 million; Construction for the expansion and modernization of Riverside Hospital at an investment of up to \$65 million continues, and should reach completion on schedule in 2011
- addition of a \$9 million education and workforce training facility financed jointly by the Kankakee Community College and a state grant of \$1 million
- addition of a new office building for HomeStar Bank at Station and Dearborn Streets, completed in July 2008 at an investment of \$1.2 million
- replacement of the North Fifth Avenue bridge and roadway over Soldier Creek, financed in part by a \$0.5 million state grant
- addition of the new Kankakee County Jail and Sheriff Administration building on the south side of I57 near Exit 308
- historical restoration and preservation of the Station Street bridge over the Kankakee River at a cost of over \$2.4 million through a state grant (completed August 2006); the project won the American Public Works Association "Project of the Year" award for historical restoration and preservation in 2007
- expansion of the IKO Roofing manufacturing facility that employs 55 full time people, originally built at a cost of \$40 million in April 2006
- the relocation and expansion of the Jones International truck dealership on seven acres of land in the Eastgate Industrial Park from its previous Court Street operation at an investment of over \$1 mil., and retention of 12 jobs
- construction continues at Cognis Corp on a \$17 mil. expansion project that will serve to retain 280 jobs and will involve the relocation of a product line from a South Carolina facility

- addition of the Illinois Central Plaza park (including a water fountain) and Merchant Street Parking Lot, providing additional downtown parking, following the demolition of the aged former Carson Pirie Scott Building
- Kankakee Community College recently established an Adult Training Center in the downtown area
- Kankakee Community College completed construction of a \$9 mil. Arts and Sciences building
- the creation of a partnership between the City and the local newspaper company, the Daily Journal, and several sponsoring companies, to create an internet "Hot Spot" named Wi-fi Kankakee (www.wifikankakee.com) to provide limited free and unlimited affordable internet services for residents, businesses, and visitors

Future economic activities include:

- a state and county cooperative study is being conducted to determine the feasibility of extending commuter rail service from Chicago; the completion of Phase I of the study determined the project is feasible, and local officials have now committed to funding \$300,000 for Phase II
- the Kankakee County Economic Alliance continues to partner with the City on a comprehensive land use study of the areas surrounding and connecting Provena St. Mary's Hospital and Riverside Medical Center for creation of a health care corridor
- the City and the Kankakee Development Corporation partnered to revamp the Lakota Group Downtown Plan that was created in 2000; the plan provides a framework for developers and businesses seeking to locate in the downtown area
- Sun Chemical, a manufacturer of specialty inks used for product packaging, annexed its manufacturing facility into the City during calendar year 2009 in anticipation of a \$33 million expansion of its manufacturing facility, which is now underway

Independent Audit

Illinois Compiled Statutes require an annual audit of the City's books of account, financial records, and transactions by an independent certified public accountant. The Certified Public Accounting firm of Groskreutz, Schmidt, Abraham, Eshleman & Gerretse performed the audit of the records of the City for the fiscal year ending April 30, 2010. Their report is included herein.

As a recipient of various federal and state financial assistance programs, the City of Kankakee is also required to have an annual audit of certain major federal grant programs performed under the OMB Circular A-133. This audit contains information concerning whether grant activity is presented fairly in the general purpose financial statements, whether internal control is sufficient to provide reasonable

assurance that the grant funds are managed properly, and whether material grant compliance requirements have been met. The Federal Single Audit is also included in this report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kankakee, Illinois for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended April 30, 2009. This was the thirteenth consecutive year that the City of Kankakee has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

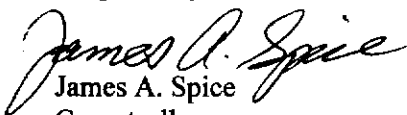
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

Timely and fairly presented financial statements and reports are essential to legislative officials, creditors, financial analysts, the general public and others having need for government financial information. The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff (Jeannette Holden, Maureen Kambic, Judy Lashley, Sandy Leppert, and Tamie Seedorf) of the Comptroller's Office. We especially appreciate their dependability and the routine manner in which they each consistently, effectively and accurately perform their work.

We would like to express our appreciation to the Mayor and City Aldermen for supporting this office's efforts to plan and conduct the City's financial operations in a responsible and progressive manner. We would also like to express our appreciation to the firm of Groskreutz Schmidt Abraham Eshleman & Gerretse for their professionalism, expertise, and assistance in the preparation of this report, with special appreciation to Stephen Schmidt, M.J. Abraham and Amy Eshleman, partners, and auditors Bradford Werner, Dan Brough, Emily Bonvallet, Neil Rago, Rebecca Schatz, Ryan Williamson, and Todd Hespell.

Respectfully submitted,


James A. Spice
Comptroller

City of Kankakee, Illinois
Officers and Officials
April 30, 2010

Elected Officials

Mayor

Nina Epstein (2009 – 2013)

City Clerk

Anjanita Dumas (2001 – 2013)

Council Members

First Ward

James R. Cox (1985 – 2011)

Glenn E. Davidson (2009 – 2013)

Fifth Ward

Sam Ciaccio (2003 – 2011)

Tyler D. Tall (2010 – 2013)

Second Ward

JoAnne Schwade (1991 – 2011)

Cheryl Jones (2005 – 2013)

Sixth Ward

Dennis Baron (1987 – 2011)

Rich Browne (2009 – 2013)

Third Ward

Stephen Linneman (2008 – 2011)

Larry A. Osenga (2009 – 2013)

Seventh Ward

Steven Hunter (1973 – 2013)

P. Carl Brown (2001 – 2011)

Fourth Ward

Danita Grant Swanson (2003 – 2011)

James A. Faford (2009 – 2013)

Appointed Officials

Michael Kinkade

Police Chief

Chris Bohlen

Chief Legal Counsel

Ronald Young

Fire Chief

L. Patrick Powers

City Attorney and Treasurer

Bert Dear

Public Works Superintendent

James Gordon

Personnel Director

David Tyson

City Engineer

James Banasiak

Director, Code Enforcement

Clifford Cross

Community Development Director

James A. Spice

Comptroller

Richard Simms

Municipal Utility Superintendent

Julie Herscher

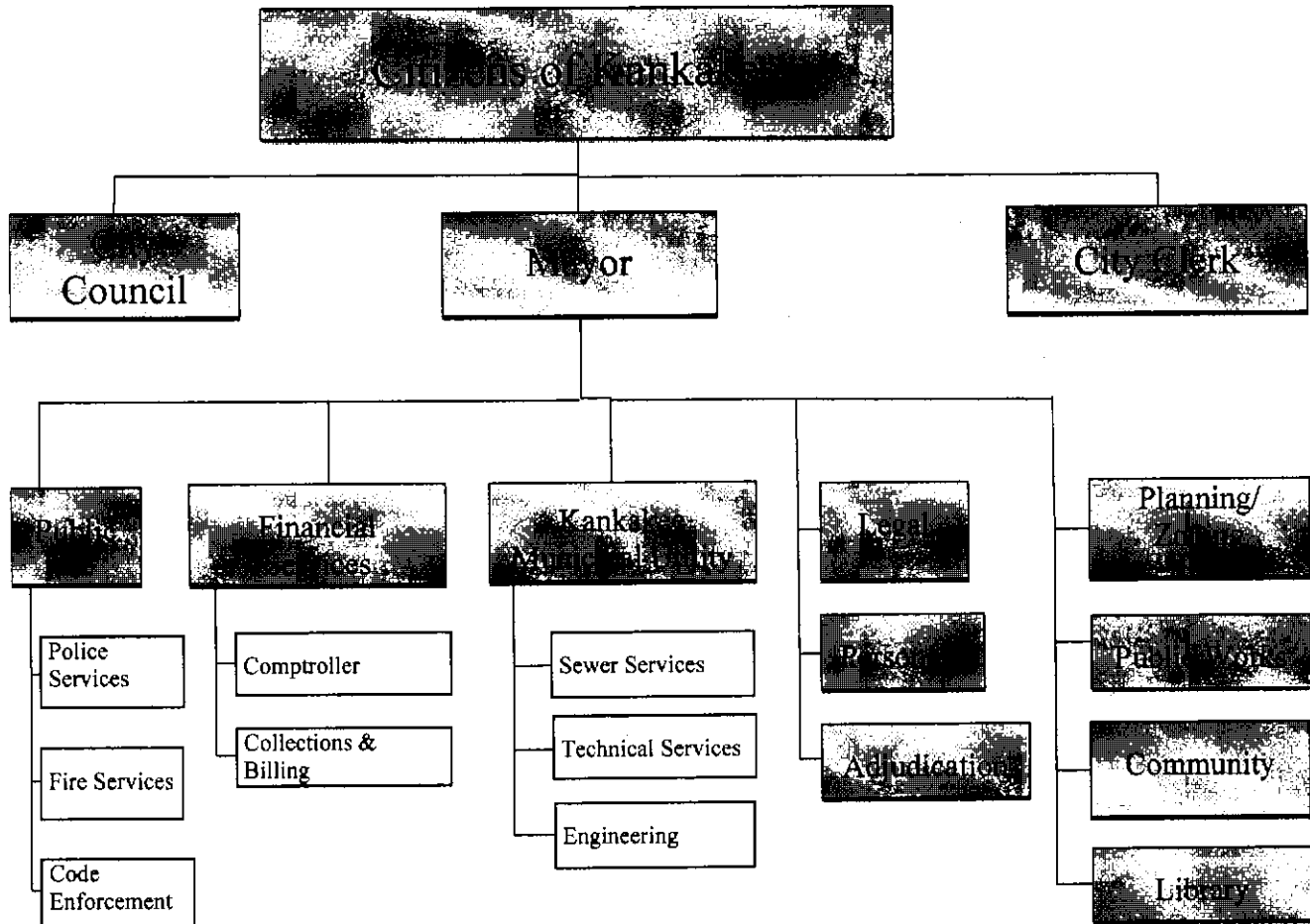
Victim's Assistance Director

Steve Bertrand

Library Director

City of Kankakee, Illinois

Organizational Structure



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kankakee
Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
April 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink.

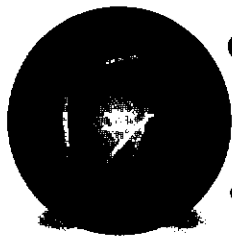
President

A stylized, handwritten signature in black ink.

Executive Director

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FINANCIAL SECTION



**GROSCKREUTZ
SCHMIDT
ABRAHAM
ESHLEMAN
& GERRETSE**

www.cpa-kankakee.com

PARTNERS

Larry D. Grosckreutz, C.P.A.
Stephen P. Schmidt, C.P.A.
M.J. Abraham, C.P.A.
Amy Eshleman, C.P.A.
Dale L. Gerretse, C.P.A.

ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the City Council
City of Kankakee, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the

CITY OF KANKAKEE, ILLINOIS

as of and for the year ended April 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Kankakee, Illinois' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kankakee, Illinois, as of April 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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MEMBERS OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2010, on our consideration of the City of Kankakee, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and the required supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kankakee, Illinois' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and supplemental schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Kankakee, Illinois. The combining and individual nonmajor fund financial statements and supplemental schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Grozkrentz, Schmidt, Abraham, Eskleman & Gerretse

Kankakee, Illinois
November 23, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2010

The City of Kankakee (the "City") is pleased to present its Management Discussion and Analysis (MD&A) related to the City's financial information for the fiscal year ended April 30, 2010. The MD&A serves as an introduction to the City's basic financial statements, and is designed to: 1) assist the reader in focusing on significant financial issues; 2) provide an overview of the City's financial activity; 3) identify changes in the City's financial position (its ability to address subsequent years' challenges); 4) identify any material deviations from the financial plan (the approved budget); and 5) identify individual fund issues or concerns.

The City, in accordance with generally accepted accounting principles, presents its financial statements with two perspectives of its financial position and results of operations. The first perspective, government-wide statements, provides financial information for the government as a whole. The other perspective, fund statements, provides financial information for individual accounting entities (funds) established by the City for specific purposes. The focus of the fund statements is on major funds. Both perspectives (government-wide and fund) are designed to address likely user questions, provide a broad basis for comparison (year-to-year or government-to-government), and enhance the City's accountability.

Since this MD&A is designed only as an overview of the current fiscal year's activities, resulting changes, and currently known facts, please read it in conjunction with the City's basic financial statements (beginning on page 15).

GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements provide readers with a broad, long-term view of the City's finances, and further distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements are a consolidation of all of the City's funds with the exclusion of financial information related to the fiduciary funds. The government-wide financial statements are found on pages 15 - 17. The business-type financial statements are found on pages 22 - 25.

The governmental activities of the City include public safety (police, fire, and code enforcement), public works, highways and streets, culture and recreation, economic development, and general administrative services. The business-type activities of the City include sewer collection and treatment services, solid waste (trash) collection services, and parking operations.

The City also includes financial information for two separate legal entities in its report, the City's Public Library and its Special Service Area #1. Although legally separate, these "component units" are important because the City is financially accountable for them. Financial information for these component units is reported separately in this report from the financial information presented for the primary government itself.

STATEMENT OF NET ASSETS

The focus of the Statement of Net Assets is to report the City's governmental and business-type activities in a "bottom-line" manner similar to private-sector business. This statement combines and consolidates all of the governmental funds' current financial resources (short-term spendable resources) with capital assets and long term obligations using the accrual basis of accounting and economic resources measurement focus.

For the City of Kankakee, assets exceeded liabilities for the total primary government by \$37.6 million at April 30, 2010. The following table presents a condensed, comparative Statement of Net Assets:

Table 1: Statement of Net Assets as of April 30, 2010 and 2009 (in millions)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Assets						
Current and Other Assets	\$ 33.3	\$ 39.3	\$ 7.5	\$ 5.6	\$ 40.8	\$ 44.9
Capital Assets	<u>\$ 90.9</u>	<u>\$ 86.3</u>	<u>\$ 28.4</u>	<u>\$ 27.9</u>	<u>\$ 119.3</u>	<u>\$ 114.2</u>
Total Assets	<u>\$ 124.2</u>	<u>\$ 125.6</u>	<u>\$ 35.9</u>	<u>\$ 33.5</u>	<u>\$ 160.1</u>	<u>\$ 159.1</u>
Liabilities						
Long-term Debt Outstanding	\$ 89.0	\$ 92.7	\$ 7.3	\$ 3.4	\$ 96.3	\$ 96.1
Other Liabilities	<u>\$ 25.8</u>	<u>\$ 24.4</u>	<u>\$ 0.4</u>	<u>\$ 0.3</u>	<u>\$ 26.2</u>	<u>\$ 24.7</u>
Total Liabilities	<u>\$ 114.8</u>	<u>\$ 117.1</u>	<u>\$ 7.7</u>	<u>\$ 3.7</u>	<u>\$ 122.5</u>	<u>\$ 120.8</u>
Net Assets						
Invested in Capital Assets,						
Net of Debt	\$ 43.7	\$ 45.3	\$ 21.3	\$ 24.9	\$ 65.0	\$ 70.2
Restricted	\$ 6.3	\$ 10.8	\$ 1.4	\$ 0.3	\$ 7.7	\$ 11.1
Unrestricted	<u>\$ (40.6)</u>	<u>\$ (47.5)</u>	<u>\$ 5.5</u>	<u>\$ 4.5</u>	<u>\$ (35.1)</u>	<u>\$ (43.0)</u>
Total Net Assets	<u>\$ 9.4</u>	<u>\$ 8.6</u>	<u>\$ 28.2</u>	<u>\$ 29.7</u>	<u>\$ 37.6</u>	<u>\$ 38.3</u>

(Note: There may be some slight differences in totals due to rounding)
For more detailed information, see the Statement of Net Assets (page 15).

Governmental Activities – Statement of Net Assets highlights

The governmental activities columns present a consolidated view of all of the City's governmental funds. Net assets from governmental activities increased \$0.8 million (9% to FY'10 balance of \$9.4 million), total assets decreasing \$1.4 million and total liabilities decreasing \$2.3 million, as a result of the following major shifts in assets and liabilities:

- non-depreciable assets decreased by \$10.1 million (60% to FY'10 balance of \$6.8 million), reflecting completion and capitalization of various capital projects as noted in the next point
- depreciable assets increased \$13.5 million (19% to FY '10 balance of \$82.9 million) as the City completed several capital improvements (listed later in this report)
- cash decreased by \$6.4 million (47% to FY'10 balance of \$7.1 million) as the City continued investing in capital improvements and paid down long term debt
- long-term liabilities in total decreased \$3.7 million (4% to FY '10 balance of \$89.0 million) as the City continued the scheduled amortization of long term debt

Business-Type Activities – Statement of Net Assets Highlights

The business-type activities columns present financial information for the Kankakee Municipal Sewer Utility (major fund) and the Kankakee Solid Waste Utility and the Motor Vehicle Parking Lot (non-major funds). This is the first year that the Solid Waste Fund information is being reported as a separate, non-major fund. As the non-major funds represent only 7% of the total business-type fund balance, those funds are not included in the following analysis.

Total assets for the business-type activities increased \$2.5 million (8% to FY'10 balance of \$33.9 million), with total liabilities increasing \$4.0 million (107% to FY'10 balance of \$7.7 million) and net assets decreasing \$1.5 million (5% to FY'10 balance of \$26.2 million). The Sewer Utility net assets account for \$26.2 million of the total net assets for business-type activities. The following major shifts in Sewer Fund assets and liabilities included:

- total cash, which includes cash and investments, restricted cash and investments, and other restricted cash and investments (non-current assets) increased \$2.6 million (100% to FY'10 balance of \$5.1 million) as the Utility issued taxable sewer revenue bonds in the amount of \$4.0 million to formalize and monetize the previously informal obligation the utility had to the City's General Fund for debt service payments the General Fund had made on behalf of the Utility; the Sewer Utility transferred \$1.4 million of cash to the General Fund during fiscal '10 as partial repayment
- long-term liabilities increased \$3.7 million (117% to FY '10 balance of \$6.8 million) due to the issuance of the \$4.0 million taxable sewer revenue bonds discussed above, and continued the scheduled amortization of long term debt

Component Units – Statement of Net Assets Highlights

The City includes two separate legal entities in its report, the Kankakee Public Library and the Special Service Area No. 1 (SSA #1). Although legally separate, these "component units" are important because the City is financially accountable for them. One component unit, the Kankakee Public Library, comprises over 87% of the total assets for the component units. There were no significant financial changes in the component units this fiscal year.

STATEMENT OF ACTIVITIES

The Statement of Activities presents information that indicates how the City's net assets changed as a result of operations during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The following Statement of Activities table compares the revenues and expenses of the current and most recent fiscal years for the City's governmental and business activities, and the resulting changes in net assets –

Table 2: Statement of Activities for the Fiscal Years Ended April 30, 2010 and 2009 (in millions)

	Governmental Activities			Business-type Activities			Total Primary Government Activities		
	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>2010</u>	<u>2009</u>	<u>Change</u>
Program Revenues									
Charges for Service	\$ 2.5	\$ 2.3	\$ 0.2	\$ 10.0	\$ 10.0	\$ 0.0	\$ 12.5	\$ 12.3	\$ 0.2
Capital grants/ contributions	4.3	0.7	3.5				4.3	0.7	3.5
Operating grants/ contributions	3.4	4.0	(0.6)	-	-	-	3.4	4.0	(0.6)
General Revenues									
Property taxes	12.1	11.4	0.7				12.1	11.4	0.7
Sales taxes	21.1	24.4	(3.3)				21.1	24.4	(3.3)
Utility taxes	3.4	3.4	0.0				3.4	3.4	0.0
Other taxes	3.1	3.6	(0.5)				3.1	3.6	(0.5)
Intergovernmental	0.1	0.1	-				0.1	0.1	-
Investment Income	0.1	0.4	(0.2)	0	0	(0.0)	0.1	0.4	(0.2)
Other	0.7	0.5	0.2	-	-	-	0.7	0.5	0.2
Contributions from developers									
Total Revenues	<u>50.8</u>	<u>50.8</u>	<u>0.1</u>	<u>10.0</u>	<u>10.0</u>	<u>0.0</u>	<u>60.8</u>	<u>60.8</u>	<u>0.1</u>
Program Expenses									
General government	8.3	8.6	(0.3)				8.3	8.6	(0.3)
Public safety	16.1	14.2	1.9				16.1	14.2	1.9
Public works	2.4	3.6	(1.2)				2.4	3.6	(1.2)
Highways and streets	3.3	2.2	1.1				3.3	2.2	1.1
Community development	1.9	2.5	(0.6)				1.9	2.5	(0.6)
Culture and recreation	0.1	0.3	(0.2)				0.1	0.3	(0.2)
Economic development (net)	16.5	18.8	(2.3)				16.5	18.8	(2.3)
Interest and fiscal charges	2.8	2.8	0.0				2.8	2.8	0.0
Proprietary fund expenses				10.2	12.2	(2.0)	10.2	12.2	(2.0)
Total Expenses	<u>51.5</u>	<u>53.2</u>	<u>(1.7)</u>	<u>10.2</u>	<u>12.2</u>	<u>(2.0)</u>	<u>61.6</u>	<u>65.4</u>	<u>(3.7)</u>
Changes in Net Assets before Transfers									
Transfers	(0.7)	(2.4)	1.8	(0.1)	(2.2)	2.1	(0.8)	(4.6)	3.9
Transfers	<u>1.5</u>	<u>(4.9)</u>	<u>6.4</u>	<u>(1.5)</u>	<u>4.9</u>	<u>(6.4)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Changes in Net Assets	<u>0.8</u>	<u>(7.3)</u>	<u>8.2</u>	<u>(1.6)</u>	<u>2.8</u>	<u>(4.3)</u>	<u>(0.8)</u>	<u>(4.6)</u>	<u>3.9</u>

(Note: There may be some slight differences in totals due to rounding)
For more detailed information, see the Statement of Activities (page 16 - 17)

Governmental Activities – Statement of Activities Highlights

The City posted a decrease in net assets from governmental activities before transfers of nearly \$0.7 million, and an increase of nearly \$0.8 million after transfers. There were several major shifts in both revenues and expenses that contributed to the change in net assets.

Sales tax revenues contribute significantly (nearly 42% of current year revenues) to the City's revenues, due primarily to a sales tax sharing incentive program that the City implemented in fiscal 2000. With this program, the City returns a substantial portion of the sales tax generated from the program to the program participants as an economic development incentive. Gross sales taxes decreased \$3.3 million from the prior year as a result of the national economic slowdown. At the same time, sales tax incentives decreased \$2.4 million. Overall, net sales tax revenue decreased \$0.9 million. The following table illustrates the change in gross and net sales tax revenue over the past nine fiscal years –

Table 3: Sales taxes and incentives

Fiscal Year	Gross Amount Received	less Incentives Paid	Net Sales Tax	\$ Change	Percent Change
2002	4,578,964	1,588,129	2,990,835	747,278	33.3%
2003	8,881,076	5,237,343	3,643,733	652,898	21.8%
2004	14,998,857	10,701,236	4,297,621	653,888	17.9%
2005	22,351,192	17,066,791	5,284,401	986,780	23.0%
2006	25,107,826	18,938,693	6,169,133	884,732	16.7%
2007	23,695,013	17,678,395	6,016,618	(152,515)	-2.5%
2008	26,611,558	20,109,951	6,501,607	484,989	8.1%
2009	24,419,114	17,617,181	6,801,933	300,326	4.6%
2010	21,098,621	15,210,630	5,887,991	(913,942)	-13.4%

Other major shifts included an increase of \$3.6 million in Capital Grants/Contributions, a 487% increase over the prior fiscal year, largely the result of the dedication of the Indian Meadows Subdivision improvements to the City; an increase of nearly \$0.7 million in property tax revenues, most of the increase due to required employer contributions to pensions (police, fire, and IMRF); the decline in revenue of over \$0.6 million in Operating Grants/Contributions as grant funding sources evaporated; a decline in Other Taxes of \$0.5 million, also from the national economic conditions; an decrease of \$0.4 million in Highways and streets expenses as a result of the City's continued investment in infrastructure; an increase of nearly \$1.9 million in Public Safety expenses, most of that from normal salary increases and a large increase in the actuarially required pension contributions to the public safety (Police and Fire) pension funds; a decline of nearly \$1.2 million in Public Works expenses as fuel prices eased a bit and the City was able to contract with a trash transfer station that was geographically much closer to the City in order to further reduce transportation costs; and a decline of nearly \$0.6 million in Community Development expenses as the City's grant projects slowed because of the reduction in grant revenues.

The cash transfer from the Sewer Utility came at a very important time. The City would have had a much more negative financial outcome if the Sewer Utility had not been able to provide the needed cash infusion.

The following charts graphically illustrate the composition of the City's revenues and expenses from governmental activities –

Chart 1: Composition of revenues from governmental activities

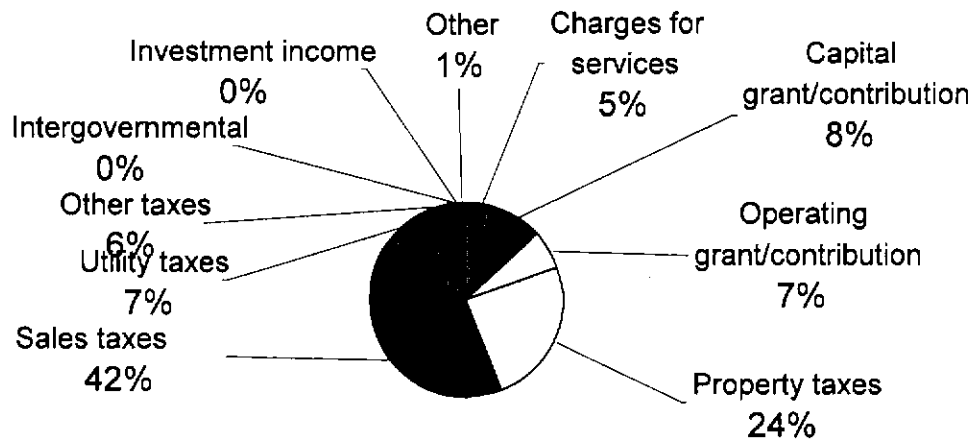
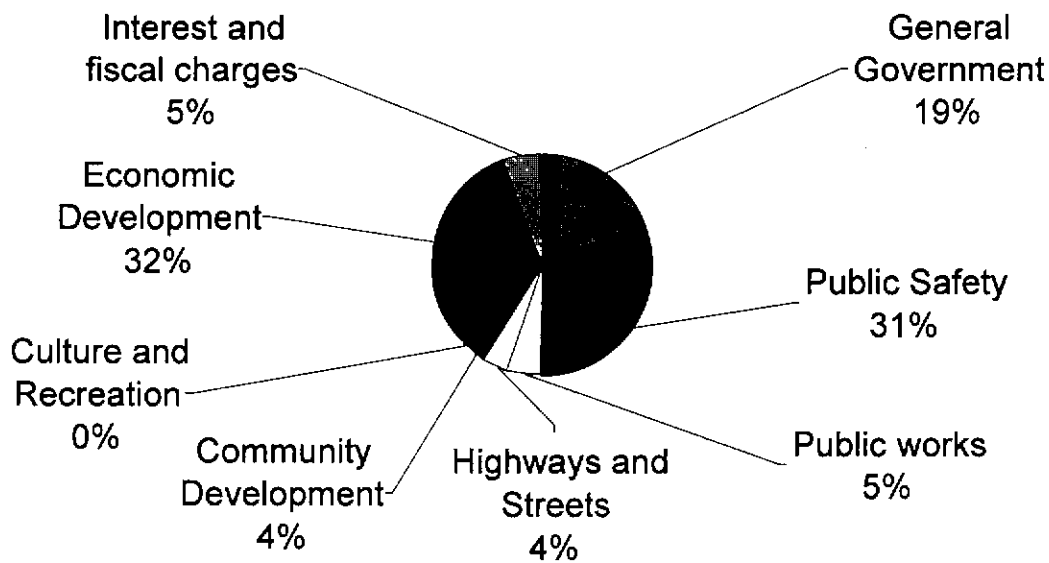


Chart 2: Composition of expenses from governmental activities



Business-Type Activities – Statement of Activities Highlights

Business-type activities include the sewer, solid waste and the parking fund. As noted earlier, the Sewer Fund comprises the largest share of the activities; therefore it will be the focus of these highlights. The major change in this fund for the year from the prior year was the bond refunding of the prior year. The refunding had resulted in the recognition of over \$1.5 million of unamortized debt service costs last year, and a transfer in of over \$5.8 million in bond proceeds, with an overall result of a loss before transfers of over \$2.5 million. This year, the net loss before transfers was less than \$0.1 million, as sewer revenue increased nearly \$0.2 million (over 2% from the prior fiscal year), and expenses were down by more than \$0.6 million (decrease of nearly 8% from the prior fiscal year). The Sewer Utility did transfer near \$1.5 million to the City's General Fund as payment toward the long standing obligation that the Sewer Utility had to the General Fund for debt service payments the General Fund had made on the Sewer Fund's behalf.

Equity interest in the Utility's joint venture resulted in an increased loss to the Kankakee Municipal Utility in the amount of less than \$0.1 million (20% increase in the loss over the prior fiscal year amount). The joint venture is in the Kankakee Municipal Regional Agency (KRMA), which operates the sewer treatment plant. The City was aware of the KRMA cost increases, and had increased its rate at the beginning of fiscal 2010, and again at the beginning of fiscal 2011.

Component Unit Activities – Statement of Activities Highlights

The component units, the Library and the Special Service Area #1 (Downtown), saw an overall increase of net assets from activities of more than \$0.1 million, almost evenly divided between the two entities. There were no significant activities to report for the component units this fiscal year.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Because the focus of governmental funds financial statements is on near-term inflows and outflows (sources and uses) of financial resources, on balances of the City's financial resources available at the end of the fiscal year, and on the City's budgeting compliance associated with the financial sources and uses, the financial statements for those funds are presented for a second time, but in a different format. A reader might find it useful to compare the fund statements to the government-wide financial statements in order to better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheets and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation (pages 19 and 21) to facilitate a comparison between the amounts reported in governmental funds and governmental activities.

The proprietary funds are accounted for as business-type activities. Those financial statements do not change (and therefore, are not redisplayed) as fund financial statements. The financial statements for the City's two fiduciary funds are combined in the initial presentation, and are displayed separately in the Combining and Individual Fund Financial Statements and Supplemental Schedules section (see pages 109 - 110). The fiduciary funds financial statements do not otherwise change (and therefore, are not redisplayed as fund financial statements).

The City reported on 29 individual governmental funds during fiscal 2010, and two additional governmental funds were reported on as component units. Information for the City's major governmental funds (General Fund and Capital Projects Fund) is presented separately in the Governmental Fund Balance Sheet (page 18) and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances (page 20). Financial information for the other 27 governmental funds is combined into a single, aggregated presentation in the form of combining statements in the Combining and Individual Fund Financial Statements and Supplemental Schedules section (beginning on page 89) of this report.

Financial Analysis of the City's Governmental Funds

For the fiscal year ended April 30, 2010, the Governmental Funds reflect a combined fund balance of \$7.6 million, a decrease of over \$6.0 million (44% from prior year total of nearly \$13.7 million). Major changes within the individual funds are analyzed below. Of the total fund balance for all governmental funds, \$0.8 million (10%) is unreserved, indicating availability for continuing City services. Reserved fund balances include amounts for prepaid items, inventories, debt service, unexpended street maintenance programs, economic development, and capital projects.

Analysis of Balances and Transactions of Individual Funds

The fund balance of the General Fund decreased \$1.2 million (55% to FY'10 total of almost \$1.0 million). As mentioned in the Statement of Governmental Activities section above, sales tax revenues, which comprised nearly 63% of the current year's General Fund revenue, declined \$3.3 million from the prior year's actual receipts (\$3.7 million (15%) less than budgeted). Sales tax incentives, which closely correlate to the sales tax revenues, declined \$2.4 million from the prior year (\$3.5 million (19%) less than budgeted). This second consecutive year of major decline in sales tax revenues and the related decline in sales tax incentives, which appear to be directly related to the national economic slowdown, had a direct and dramatic impact on the City's General Fund financial results.

The economic slowdown also resulted in declines in other revenue sources, including a \$0.5 million (14%) decline in total income, use, and replacement taxes. There were slight increases in other revenue sources, but not enough to overcome the major decline in tax revenues.

General Fund expenditures declined \$2.2 million (5% from the prior fiscal year), and were \$2.5 million (6%) less than budgeted. All of the decline in expenditures can be attributed to the decline in sales tax incentives noted above.

The infusion of cash transferred from the Sewer Utility to the General Fund was planned as the City determined what steps it would and should take to work through this period of economic slowdown. Although the City has intended to increase its General Fund reserves to a level of 2 to 3 months of spendable reserves, it has been unable to accomplish that goal for the past few years.

The fund balance of the Capital Projects Fund decreased \$3.5 million (44% from prior year balance of \$7.8 million) to a balance of \$4.4 million as the City continues to spend the proceeds of the bonds issued in the prior year for capital projects and equipment replacement. The City anticipates that it will spend all of the bond proceeds by the end of fiscal 2011, and that it will issue additional bonds at that time to continue its efforts to maintain and enhance its infrastructure and capital equipment.

The fund balance of the other non-major governmental funds decreased \$1.4 million (38% to fiscal '10 balance of \$3.6 million). Most of the decrease came from a decrease in intergovernmental (grant) revenues, somewhat corresponding decreases in expenditures related to grant funding, and the increase in debt service transfers from the various City TIF funds to the debt service funds as the City continues to amortize the scheduled debt service.

General Fund Budgetary Highlights

The City adopts an annual appropriated budget for the General, Band, Park, IMRF, Special Service Area No. 2 and Special Service Area No. 3 funds. The procedures used to control expenditures of the other governmental funds are explained further in Note 1, Budgetary Accounting on page 78. As noted above, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. A table presenting budgetary highlights for the City's General Fund is provided below.

The General Fund revenue and expenditure budgets were not amended during the fiscal year. As noted in the analysis of the General Fund in the above section, the economic slowdown took its toll on the City's sales tax revenues, and in the income, use, and replacement tax categories. Fortunately, the sales tax incentives had a somewhat offsetting effect by contributing to a decline in the sales tax incentives paid. The fiscal 2010 General Fund expenditure budget was \$2.1 million greater than what was actually expended in fiscal 2009, so if the City's revenues would have held to the fiscal 2009 level, the City's General Fund would have ended the fiscal year in the black.

Because of its awareness of the national economic conditions, the City did enact several measures to control its spending. But as shown, the City ended the year with an unplanned spend down of fund balance in the General Fund. A summary comparison of the General Fund budget to actual results can be found on page 77, and a more detailed comparison can be found on pages 86 - 88. Interfund transfers are detailed in Note 13 on pages 70 - 71. Other individual budget variances for the most part offset one another, and were not further analyzed in this MD&A.

Table 4: General Fund Budgetary Highlights

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over/(Under) Final Budget</u>
Revenues	\$40,169,033	\$40,169,033	\$35,289,338	\$ (4,879,695)
Expenditures	<u>40,993,156</u>	<u>40,993,156</u>	<u>38,514,772</u>	<u>(2,478,384)</u>
Excess of Revenues over Expenditures	\$ (824,123)	\$ (824,123)	\$(3,225,434)	\$ (2,401,311)
Other Financing Sources (Uses)				
Transfers from other funds	\$ 826,253	\$ 826,253	\$ 2,216,562	\$ 1,390,309
Transfers to other funds	<u>(2,130)</u>	<u>(2,130)</u>	<u>(206,777)</u>	<u>(204,647)</u>
Net Changes in Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$(1,215,649)</u>	<u>\$(1,215,649)</u>

CAPITAL ASSETS

The City's investment in capital assets includes land, construction in progress, buildings and improvements, land improvements, equipment, vehicles, leasehold improvements, and infrastructure (roads, sidewalks, curbs, gutters, and bridges). The City's total combined investment in capital assets for fiscal 2010 increased by \$3.5 million to \$117.7 million (net of accumulated depreciation). The increase in Governmental activities capital assets of \$3.3 million accounted for the majority of the increase in capital assets.

A large change in capital assets occurred as many projects that were categorized as construction in progress last fiscal year were completed and reclassified as either buildings, land improvements, or infrastructure. Specific major capital asset events during the 2010 fiscal year included the following:

- \$8.8 million in renovations to the Old City Hall and the adjacent parking lots; the building reopened in mid April 2010 as the Public Safety Center increased the buildings and infrastructure categories
- the ornamental lighting project was completed, adding \$2.4 million to infrastructure
- the Indian Meadows Subdivision project was completed, and added \$3.5 million to the land improvements and infrastructure categories

The following table summarizes the City of Kankakee capital assets (in millions, net of depreciation) for the current and prior fiscal years –

Table 5: Capital Asset Highlights (net of depreciation) for the fiscal years ended April 30, 2010 and 2009 (in millions)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 5.7	\$ 5.7	\$ 1.7	\$ 1.7	\$ 7.4	\$ 7.4
Construction in progress	1.1	11.3	1.2	1.4	2.3	12.7
Buildings	13.2	6.0	6.8	7.0	20.0	13.0
Equipment	0.3	0.4	0.8	0.5	1.1	0.9
Vehicles	2.8	2.9	0.1	0.1	2.9	3.0
Land improvements	2.2	1.7	-	-	2.2	1.7
Leasehold improvements	-	-	0.2	0.2	0.2	0.2
Infrastructure	<u>64.2</u>	<u>58.5</u>	<u>17.4</u>	<u>16.9</u>	<u>81.6</u>	<u>75.4</u>
Total Capital Assets, net	\$ 89.5	\$ 86.5	\$ 28.2	\$ 27.8	\$117.7	\$114.3

Additional information on the City's capital assets can be found in Note 6 on pages 55 - 57.

LONG-TERM DEBT

At year end, the City had a minor decrease from \$76.2 million of principal in bonds outstanding versus \$76.4 million the prior year. The City amortized nearly \$4.0 million in GO debt and issued \$4 million of Sewer Fund revenue bonds to formalize and monetize the informal obligation the Sewer Fund had to the City's General Fund for debt service that the General Fund had paid on the Sewer Fund's behalf over a period of years. The City is on schedule to amortize the installment notes over a 10 year period.

The City's obligation for compensated absences and net other post employment benefit obligations continues to increase, and the City intends to finance these items on a pay-as-you-go basis. The following table further summarizes the City's debt for the current and prior fiscal years—

Table 6: Debt Highlights for the fiscal years ended April 30, 2010 and 2009 (in millions, as adjusted for premiums and deferred losses)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 69.4	\$ 73.4			\$ 69.4	\$ 73.4
Revenue Bonds			\$ 6.8	\$ 3.0	6.8	3.0
Installment notes	3.2	3.5			3.2	3.5
Unfunded employer pension						
Contributions	11.7	11.2			11.7	11.2
Compensated absences	4.7	4.5	0.5	0.4	5.2	4.9
Net other post employment benefit obligations	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>-</u>	<u>0.2</u>	<u>0.1</u>
Total Debt	\$ 89.1	\$ 92.7	\$ 7.1	\$ 3.4	\$ 96.5	\$ 96.1

Additional information related to the City's long-term debt can be found in Note 11 on pages 61 - 69.

The City, under its home rule authority, does not have a legal debt limit. The City had not had an underlying public rating for several years, but achieved a Standard and Poors rating of A beginning in 2006. The City received an insured rating from Standard and Poors of Aaa on all of the bonds issued this year. The City anticipates issuing additional bonds in the near future.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City faced the reality of the national economic slowdown as it started to develop its General Fund budget for this fiscal year, and made several adjustments, but not enough to offset the continued economic downturn. As the fiscal 2011 budget was developed, the City took steps to cut costs with a 12% across the board decrease in personnel expenditures (mostly salary reductions as opposed to labor force reductions) and increased its sewer and solid waste fees in order to achieve a balanced budget. The City continues to review its General Fund finances on a monthly basis to assure that it is appropriately responding to the challenges posed by local and national economic conditions.

The City of Kankakee approved a new gas utility tax to supplement its municipal utility tax on gas service and to establish parity among the community's gas utility users. That tax took effect for gas used starting the month of September 2009, and the City did realize a small increase in its utility tax revenues.

The Sewer Utility increased its rates beginning May 1, 2010 by 4.8% to a rate of \$3.03/100 cubic feet of water used, increased the sewer rate again beginning October 2010 to \$3.25/100 cubic feet of water used, and increased its solid waste charges by 25.5% to a monthly rate of \$29.50 for residential waste collection beginning in September 2010. The second sewer rate increase helped offset some of the charges the Sewer Utility has taken due to its equity interest in the regional sewer treatment facility.

The solid waste collection fee increases were beneficial in offsetting some of the General Fund costs the City incurs in collecting and disposing of solid waste. The General Fund had absorbed most of the costs the City incurred to provide solid waste disposal services over the years, but in this economy, has determined that it is no longer able to maintain that practice.

The City will face on-going contractual wage increases, increases in employer contributions for pensions, and increases in other operating costs for the coming year in a new era of what appears to be continued revenue shrinkage. The City General Fund projected a breakeven budget for fiscal 2011.

The unemployment rate (not seasonally adjusted) for the County and the City for September 2010 was 12.7% and 16.4% respectively, compared to the 12.1% and 15.6% rate for the County and City respectively for calendar 2009. The local economy continues to reflect the national economic conditions. The City continues to monitor its revenue and expenses to determine when it might need to implement additional strategies to respond to the challenges created by the realities of the economic slowdown.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our Mayor, legislators, managers, citizens, customers, investors, and creditors with a general overview of the City's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to James A. Spice, Comptroller, City of Kankakee, 304 South Indiana Avenue, Kankakee, Illinois 60901.

BASIC FINANCIAL STATEMENTS

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF NET ASSETS
April 30, 2010

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and investments	\$ 7,141,075	\$ 3,462,712	\$ 10,603,787	\$ 796,387
Restricted cash and investments		2,029,377	2,029,377	
Receivables, less allowance for uncollectible amounts:				
Property taxes	14,637,311		14,637,311	1,722,000
Utility taxes	507,422		507,422	
Due from other governmental agencies	6,336,438	496,159	6,832,597	
Internal balances	304,580	(304,580)	-0-	
Due from component units	220,554		220,554	
Accounts receivable	1,086,769	1,737,476	2,824,245	
Special assessments	2,587,000		2,587,000	
Materials inventory	33,946		33,946	
Prepaid items	481,958	121,765	603,723	
Capital assets:				
Non-depreciable	6,795,473	2,856,478	9,651,951	
Depreciable (net of accumulated depreciation)	82,873,637	25,238,006	108,111,643	7,693,286
Unamortized bond issuance cost	1,265,459	200,153	1,465,612	
Investment in joint venture		74,839	74,839	
Total assets	124,271,622	35,912,385	160,184,007	10,211,673
Liabilities				
Accounts payable	6,801,466	294,877	7,096,343	38,382
Accrued wages payable	600,826	103,847	704,673	
Interest payable	964,100		964,100	
Due to primary government				220,554
Unearned revenue	14,873,580		14,873,580	1,739,550
Deferred special assessments	2,587,000		2,587,000	
Long-term liabilities:				
Due within one year	6,516,732	460,000	6,976,732	103,776
Due within more than one year	82,525,575	6,877,694	89,403,269	2,952,147
Total liabilities	114,869,279	7,736,418	122,605,697	5,054,409
Net Assets				
Invested in capital assets, net of related debt	43,720,157	21,312,429	65,032,586	4,637,363
Restricted for:				
Capital projects	4,385,453		4,385,453	
Debt services	292,011	1,395,031	1,687,042	
Economic development	1,322,031		1,322,031	
Street maintenance programs	316,396		316,396	
Unrestricted	(40,633,705)	5,468,507	(35,165,198)	519,901
Total net assets	\$ 9,402,343	\$28,175,967	\$ 37,578,310	\$ 5,157,264

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF ACTIVITIES
For the year ended April 30, 2010

		Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
	Expenses			
Primary government:				
<u>Governmental Activities</u>				
General government	\$ 8,308,847	\$ 1,178,643	\$ 103,945	
Public safety	16,120,033	568,198	569,983	\$ 149,373
Public works	2,445,526	570,860		
Highways and streets	3,276,703		693,792	4,125,306
Community development	1,909,567	142,000	2,059,587	
Culture and recreation	65,116			
Economic development	16,524,109			
Interest and fiscal charges	2,824,410			
Total governmental activities	<u>51,474,311</u>	<u>2,459,701</u>	<u>3,427,307</u>	<u>4,274,679</u>
<u>Business-Type Activities</u>				
Sewer utility	7,942,992	7,872,919		
Solid waste utility	2,214,777	2,165,584		
Vehicle parking		9,248		
Total business-type activities	<u>10,157,769</u>	<u>10,047,751</u>	<u>-0-</u>	<u>-0-</u>
Total primary government	<u>\$61,632,080</u>	<u>\$12,507,452</u>	<u>\$ 3,427,307</u>	<u>\$ 4,274,679</u>
Component units:				
Library	\$ 1,712,934	\$ 137,375	\$ 74,830	
Special Service Area No. 1	179,482			
Total component units	<u>\$ 1,892,416</u>	<u>\$ 137,375</u>	<u>\$ 74,830</u>	<u>\$ -0-</u>

General Revenues:

Property taxes levied for general purposes
Special assessments
State income tax
Local use tax
State replacement income tax
Illinois sales tax
Utility taxes
Intergovernmental, not restricted to specific programs
Investment income
Other

Contributions from primary government

Total
Transfers
Changes in net assets
Net assets, May 1, 2009
Net assets, April 30, 2010

Net (Expense) Revenue and Change in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (7,026,259)		\$ (7,026,259)	
(14,832,479)		(14,832,479)	
(1,874,666)		(1,874,666)	
1,542,395		1,542,395	
292,020		292,020	
(65,116)		(65,116)	
(16,524,109)		(16,524,109)	
(2,824,410)		(2,824,410)	
<u>(41,312,624)</u>		<u>(41,312,624)</u>	
	\$ (70,073)	(70,073)	
	(49,193)	(49,193)	
	9,248	9,248	
<u>-0-</u>	<u>(110,018)</u>	<u>(110,018)</u>	
<u>(41,312,624)</u>	<u>(110,018)</u>	<u>(41,422,642)</u>	
			\$ (1,500,729)
			(179,482)
			<u>(1,680,211)</u>
12,135,164		12,135,164	1,699,573
268,500		268,500	
2,183,439		2,183,439	
326,948		326,948	
617,091		617,091	
21,098,621		21,098,621	
3,390,774		3,390,774	
50,000		50,000	
138,247	2,047	140,294	6,329
427,784	10,821	438,605	53,765
			143,911
<u>40,636,568</u>	<u>12,868</u>	<u>40,649,436</u>	<u>1,903,578</u>
<u>1,457,346</u>	<u>(1,457,346)</u>	<u>-0-</u>	<u>-0-</u>
781,290	(1,554,496)	(773,206)	223,367
8,621,053	29,730,463	38,351,516	4,933,897
<u>\$ 9,402,343</u>	<u>\$ 28,175,967</u>	<u>\$ 37,578,310</u>	<u>\$ 5,157,264</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2010

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 96,514	\$ 4,203,202	\$ 2,841,359	\$ 7,141,075
Receivables, less allowance for uncollectible amounts:				
Property taxes	5,358,797		9,278,514	14,637,311
Utility taxes	507,422			507,422
Due from other governmental agencies	5,935,876	187,463	213,099	6,336,438
Due from other funds	847,196	171,344	271,192	1,289,732
Due from component units	68,668	143,205	8,681	220,554
Accounts receivable	248,829		837,940	1,086,769
Special assessments		2,587,000		2,587,000
Materials inventory	33,946			33,946
Prepaid items	481,958			481,958
Total assets	<u>\$ 13,579,206</u>	<u>\$ 7,292,214</u>	<u>\$ 13,450,785</u>	<u>\$ 34,322,205</u>
Liabilities				
Accounts payable	\$ 6,436,567	\$ 319,761	\$ 45,138	\$ 6,801,466
Accrued wages payable	558,260		42,566	600,826
Due to other funds			985,152	985,152
Deferred revenue	5,595,066		10,115,832	15,710,898
Deferred special assessments		2,587,000		2,587,000
Total liabilities	<u>12,589,893</u>	<u>2,906,761</u>	<u>11,188,688</u>	<u>26,685,342</u>
Fund Balance				
Reserved for prepaid items	481,958			481,958
Reserved for inventories	33,946			33,946
Reserved for debt service			292,011	292,011
Reserved for unexpended street maintenance programs			316,396	316,396
Reserved for economic development			1,322,031	1,322,031
Reserved for capital projects		4,385,453		4,385,453
Unreserved, reported in:				
General Fund	473,409			473,409
Special Revenue Funds			331,659	331,659
Total fund balance	<u>989,313</u>	<u>4,385,453</u>	<u>2,262,097</u>	<u>7,636,863</u>
Total liabilities and fund balance	<u>\$ 13,579,206</u>	<u>\$ 7,292,214</u>	<u>\$ 13,450,785</u>	<u>\$ 34,322,205</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
April 30, 2010

Amounts reported for governmental activities in the
statement of net assets are different because of the following:

Total fund balance - governmental funds	\$ 7,636,863
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	89,669,110
Unamortized bond issuance costs represent deferred charges which do not provide current financial resources and, therefore, not reported in the funds.	1,265,459
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. All liabilities - both current and long-term are reported in the statement of net assets.	
Bonds payable	\$ (69,406,226)
Installment notes	(3,166,333)
Unfunded employer pension contributions	(11,659,793)
Net other post-employment benefit obligations	(129,955)
Compensated absences	<u>(4,680,000)</u>
Total long-term liabilities (See Note 11)	(89,042,307)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	
Interest payable	(964,100)
Loans receivable are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	<u>837,318</u>
Net assets of governmental activities	<u>\$ 9,402,343</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the year ended April 30, 2010

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 4,176,648		\$ 7,958,516	\$12,135,164
Special assessments			268,500	268,500
State income tax	2,183,439			2,183,439
Local use tax	326,948			326,948
State replacement income tax	617,091			617,091
Illinois sales tax	21,098,621			21,098,621
Utility taxes	3,390,774			3,390,774
Licenses, permits and fees	1,228,945			1,228,945
Charges for services	820,173			820,173
Fines and penalties	410,583			410,583
Intergovernmental	618,443	\$ 149,373	2,872,650	3,640,466
Interest income	2,931	4,319	130,997	138,247
Miscellaneous	414,742		245,092	659,834
Total revenues	<u>35,289,338</u>	<u>153,692</u>	<u>11,475,755</u>	<u>46,918,785</u>
Expenditures:				
Current:				
General government	5,862,509	714,098	1,006,932	7,583,539
Public safety	15,156,661	866,839		16,023,500
Public works	2,270,436	328,400		2,598,836
Highways and streets		1,649,701	1,121,282	2,770,983
Community development	4,536		1,888,792	1,893,328
Culture and recreation			65,116	65,116
Economic development	15,210,630		1,313,479	16,524,109
Debt Service:				
Principal retirement	10,000		4,213,233	4,223,233
Interest and fiscal charges			2,740,095	2,740,095
Total expenditures	<u>38,514,772</u>	<u>3,559,038</u>	<u>12,348,929</u>	<u>54,422,739</u>
Excess (deficiency) of revenues over expenditures	<u>(3,225,434)</u>	<u>(3,405,346)</u>	<u>(873,174)</u>	<u>(7,503,954)</u>
Other financing sources (uses):				
Transfers from other funds	2,216,562		2,149,020	4,365,582
Transfers to other funds	(206,777)	(60,000)	(2,641,459)	(2,908,236)
Total other financing sources (uses)	<u>2,009,785</u>	<u>(60,000)</u>	<u>(492,439)</u>	<u>1,457,346</u>
Net change in fund balance	(1,215,649)	(3,465,346)	(1,365,613)	(6,046,608)
Fund balance, May 1, 2009	<u>2,204,962</u>	<u>7,850,799</u>	<u>3,627,710</u>	<u>13,683,471</u>
Fund balance, April 30, 2010	<u>\$ 989,313</u>	<u>\$ 4,385,453</u>	<u>\$ 2,262,097</u>	<u>\$ 7,636,863</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
For the year ended April 30, 2010

Amounts reported for governmental activities on the statement of activities
are different because of the following:

Net change in fund balance - total governmental funds	\$ (6,046,608)
---	----------------

Governmental funds report capital outlays as expenditures. However, on the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. Proceeds from disposal of capital assets are reported as other financing sources in the governmental funds, but as a reduction of capital assets and recognition of gains and losses at the government-wide level.

Expenditure for capital assets	1,599,730
Loss on disposal of capital assets	(305,356)
Depreciation	(1,847,304)
Donated capital assets not reported in governmental funds	3,879,480

Repayments of principal from current financial resources is an expenditure in the governmental funds, but are a reduction of long-term liabilities on the statement of net assets.

Principal payments on bonds payable	3,905,000
Principal payments on long-term notes payable	318,223

Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Amortized bond issue cost	(97,329)
Amortized bond premium	184,141
Amortized deferred loss	(125,627)
Change in accrued interest on long-term debts	(45,500)
Net change in compensated absences payable	(151,000)
Unfunded pension cost	(412,873)
Change in net other post-employment benefit obligations payable	(59,047)

Collections on long-term loans receivable are reported as revenues in the governmental funds, but reduce the assets in the statement of net assets.

<u>(14,640)</u>

Change in net assets of governmental activities

<u><u>\$ 781,290</u></u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
April 30, 2010

	Business-type Activities Enterprise Funds		
	Major Sewer Utility	Nonmajor Other Funds	Total
Assets			
Current assets:			
Cash and investments	\$ 3,064,184	\$ 398,528	\$ 3,462,712
Restricted cash and investments	791,598		791,598
Receivables, less allowance for uncollectible amounts:			
Due from other governmental agencies	496,159		496,159
Due from other funds	120,243		120,243
Accounts receivable	1,204,265	533,211	1,737,476
Prepaid items	121,765		121,765
Total current assets	<u>5,798,214</u>	<u>931,739</u>	<u>6,729,953</u>
Non-current assets:			
Restricted cash and investments	1,237,779		1,237,779
Capital assets:			
Non-depreciable	1,412,670	1,443,808	2,856,478
Depreciable (net of accumulated depreciation)	25,238,006		25,238,006
Unamortized bond issuance cost	200,153		200,153
Investment in joint venture	74,839		74,839
Total non-current assets	<u>28,163,447</u>	<u>1,443,808</u>	<u>29,607,255</u>
Total assets	<u>33,961,661</u>	<u>2,375,547</u>	<u>36,337,208</u>
Liabilities			
Current liabilities:			
Accounts payable	294,877		294,877
Accrued wages payable	103,847		103,847
Due to other funds	5,467	419,356	424,823
Accrued employee absences	60,000		60,000
Revenue bonds payable within one year	400,000		400,000
Total current liabilities	<u>864,191</u>	<u>419,356</u>	<u>1,283,547</u>
Non-current liabilities:			
Accrued employee absences	443,000		443,000
Net other post-employment benefit obligations	52,639		52,639
Revenue bonds payable, less portion due within one year	6,382,055		6,382,055
Total non-current liabilities	<u>6,877,694</u>	<u>-0-</u>	<u>6,877,694</u>
Total liabilities	<u>7,741,885</u>	<u>419,356</u>	<u>8,161,241</u>
Net Assets			
Invested in capital assets, net of related debt	19,868,621	1,443,808	21,312,429
Restricted for debt service	1,395,031		1,395,031
Unrestricted	4,956,124	512,383	5,468,507
Total net assets	<u>\$ 26,219,776</u>	<u>\$ 1,956,191</u>	<u>\$ 28,175,967</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the year ended April 30, 2010

	Business-type Activities Enterprise Funds		
	Major Sewer Utility	Nonmajor Other Funds	Total
Operating revenues:			
Charges for services:			
Sewer charges	\$ 7,872,919		\$ 7,872,919
Solid waste charges		\$ 2,165,584	2,165,584
Parking revenues		9,248	9,248
Total operating revenues	<u>7,872,919</u>	<u>2,174,832</u>	<u>10,047,751</u>
Operating expenses:			
Sewer utility operations:			
Administration	1,572,062		1,572,062
Sanitary sewers	442,261		442,261
Remote stations	282,652		282,652
Lab and industrial services	474,166		474,166
Technical services	590,119		590,119
Total sewer utility operations	<u>3,361,260</u>	<u>-0-</u>	<u>3,361,260</u>
Building maintenance	339,283		339,283
Treatment charges	2,692,188		2,692,188
Solid waste		2,214,777	2,214,777
Depreciation	994,179		994,179
Total operating expenses	<u>7,386,910</u>	<u>2,214,777</u>	<u>9,601,687</u>
Operating income (loss)	<u>486,009</u>	<u>(39,945)</u>	<u>446,064</u>
Nonoperating revenues (expenses):			
Equity interest in joint venture operating income	(330,839)		(330,839)
Interest income	1,895	152	2,047
Interest and debt-related expenses	(225,243)		(225,243)
Other income	10,821		10,821
Total nonoperating revenues (expenses)	<u>(543,366)</u>	<u>152</u>	<u>(543,214)</u>
Income (loss) before transfers	<u>(57,357)</u>	<u>(39,793)</u>	<u>(97,150)</u>
Transfers out	<u>(1,457,346)</u>		<u>(1,457,346)</u>
Change in net assets	<u>(1,514,703)</u>	<u>(39,793)</u>	<u>(1,554,496)</u>
Net assets, May 1, 2009	27,734,479	1,995,984	29,730,463
Net assets, April 30, 2010	<u>\$ 26,219,776</u>	<u>\$ 1,956,191</u>	<u>\$ 28,175,967</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended April 30, 2010

	Business-type Activities Enterprise Funds		
	Major Sewer Utility	Nonmajor Other Funds	Total
Cash flows provided (used) by operating activities:			
Receipts from customers and users	\$ 8,228,077	\$ 2,502,104	\$ 10,730,181
Payments to other funds	(65,184)		(65,184)
Payments to suppliers	(4,926,981)	(2,253,157)	(7,180,138)
Payments to employees	(1,424,560)		(1,424,560)
Net cash provided by operating activities	1,811,352	248,947	2,060,299
Cash flows provided (used) by noncapital financing activities:			
Transfers to other funds	(1,457,346)		(1,457,346)
Miscellaneous receipts	2,674		2,674
Net cash used by noncapital financing activities	(1,454,672)	-0-	(1,454,672)
Cash flows provided (used) by capital and related financing activities:			
Purchase of property and equipment	(710,158)		(710,158)
Additions to construction in progress	(513,169)		(513,169)
Issuance of revenue bonds	3,987,055		3,987,055
Repayment of revenue bonds	(175,000)		(175,000)
Interest paid on revenue bonds	(214,788)		(214,788)
Bond issuance costs	(117,135)		(117,135)
Net cash provided by capital and related financing activities	2,256,805	-0-	2,256,805
Cash flows provided (used) by investing activities:			
Proceeds from sale of investments	14,092		14,092
Interest received	1,895	152	2,047
Net cash provided by investing activities	15,987	152	16,139
Net increase in cash and cash equivalents	2,629,472	249,099	2,878,571
Cash and cash equivalents, May 1, 2009	2,464,089	149,429	2,613,518
Cash and cash equivalents, April 30, 2010	\$ 5,093,561	\$ 398,528	\$ 5,492,089

(Continued)

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)
For the year ended April 30, 2010

	Business-type Activities Enterprise Funds		Total
	Major Sewer Utility	Nonmajor Other Funds	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 486,009	\$ (39,945)	\$ 446,064
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	994,179		994,179
Provision (credit) for bad debts	100,000	(16,000)	84,000
(Increase) decrease in operating assets:			
Accounts receivable	255,158	343,272	598,430
Due from other governmental agencies	(133,212)		(133,212)
Prepaid insurance and service fees	(82,389)		(82,389)
Increase (decrease) in operating liabilities:			
Accounts payable	109,289	(38,380)	70,909
Accrued compensated absences	100,000		100,000
Accrued payroll	15,708		15,708
Due to other City funds	(65,184)		(65,184)
Net other post-employment benefit obligations	31,794		31,794
Net cash provided by operating activities	<u>\$ 1,811,352</u>	<u>\$ 248,947</u>	<u>\$ 2,060,299</u>
Noncash transactions related to financing, capital and investing activities:			
Amortization of bond issuance costs	<u>\$ 10,455</u>	<u>\$ -0-</u>	<u>\$ 10,455</u>
Construction projects capitalized	<u>\$ 764,156</u>	<u>\$ -0-</u>	<u>\$ 764,156</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
April 30, 2010

Assets

Cash and short-term investments	\$ 2,190,383
Receivables, less allowance for uncollectible amounts:	
Employee contributions	34,514
Employer contributions	274,123
Interest	63,032
Investments, at fair value:	
Open-end mutual funds	7,111,909
Corporate securities	1,918,680
U.S. treasury and agency securities	8,914,808
Corporate bonds	23,745
Prepaid items	9,830
 Total assets	 <u>20,541,024</u>

Liabilities

Benefits and other payables	<u>230,852</u>
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Net Assets

Net assets held in trust for pension benefits ⁽¹⁾	<u><u>\$20,310,172</u></u>
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(1) A schedule of funding progress is presented in the Required Supplementary Information section of this report.

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
For the year ended April 30, 2010

Additions:

Contributions:

Employer	\$ 2,935,728
Employee	824,745

Total contributions	<u>3,760,473</u>
---------------------	------------------

Investment income (loss):

Net change in fair value of investments	2,224,225
Interest and dividends	<u>449,204</u>

2,673,429

Less: investment expense	<u>(132,861)</u>
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Net investment income (loss)	<u>2,540,568</u>
------------------------------	------------------

Total additions	<u>6,301,041</u>
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Deductions:

Benefits	4,064,045
Refunds of contributions	44,486
Administrative expenses	81,637

Total deductions	<u>4,190,168</u>
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Change in net assets held in trust for pension benefits	2,110,873
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Net assets held in trust for pension benefits:

May 1, 2009	<u>18,199,299</u>
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April 30, 2010	<u><u>\$ 20,310,172</u></u>
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See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
April 30, 2010

	Library Fund	Special Service Area No. 1	Totals
Assets			
Cash and investments	\$ 565,713	\$ 230,674	\$ 796,387
Receivables, less allowance for uncollectible amounts:			
Property taxes	1,600,000	122,000	1,722,000
Capital assets:			
Depreciable (net of accumulated depreciation)	6,708,378	984,908	7,693,286
Total assets	<u>8,874,091</u>	<u>1,337,582</u>	<u>10,211,673</u>
Liabilities			
Accounts payable	38,382		38,382
Due to primary government	220,554		220,554
Unearned revenue	1,617,550	122,000	1,739,550
Long-term liabilities:			
Due within one year	103,776		103,776
Due within more than one year	2,952,147		2,952,147
Total liabilities	<u>4,932,409</u>	<u>122,000</u>	<u>5,054,409</u>
Net Assets			
Invested in capital assets, net of related debt	3,652,455	984,908	4,637,363
Unrestricted	289,227	230,674	519,901
Total net assets	<u>\$ 3,941,682</u>	<u>\$ 1,215,582</u>	<u>\$ 5,157,264</u>

See accompanying notes.

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CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the year ended April 30, 2010

		<u>Program Revenues</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>
Library Fund:			
Culture and recreation	\$ 1,557,444	\$ 137,375	\$ 74,830
Interest and fiscal charges	155,490		
Special Service Area No. 1:			
General government	179,482		
Total	<u>\$ 1,892,416</u>	<u>\$ 137,375</u>	<u>\$ 74,830</u>

General Revenues:

Property taxes levied for general purposes

Interest

Other

Contributions from primary government

Total

Changes in net assets

Net assets, May 1, 2009

Net assets, April 30, 2010

Net (Expense) Revenue and Change in Net Assets		
<u>Library Fund</u>	<u>Special Service Area No. 1</u>	<u>Total</u>
\$ (1,345,239)		\$ (1,345,239)
(155,490)		(155,490)
	\$ (179,482)	(179,482)
<u>(1,500,729)</u>	<u>(179,482)</u>	<u>(1,680,211)</u>

1,576,721	122,852	1,699,573
4,941	1,388	6,329
39,784	13,981	53,765
	143,911	143,911
<u>1,621,446</u>	<u>282,132</u>	<u>1,903,578</u>
120,717	102,650	223,367
3,820,965	1,112,932	4,933,897
<u>\$ 3,941,682</u>	<u>\$ 1,215,582</u>	<u>\$ 5,157,264</u>

See accompanying notes.

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CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Kankakee, Illinois (City), is a home rule unit under the 1970 Constitution of Illinois, Article VII. The City was incorporated in 1865 and operates under an elected Mayor/Council form of government. The City Council is comprised of the Mayor and fourteen council members. The City's major operations include public safety (police, fire, code enforcement and animal control), public works, highways and streets, community development, culture and recreation, economic development, sewer and solid waste utility, and general administrative services. The following significant accounting policies apply to the City and its component units.

A. Reporting Entity

The City follows accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board (GASB). The financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

1. Appointment of a voting majority of the component unit's board, and either (a) the ability to impose its will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
2. Fiscal dependency on the primary government.

The accompanying financial statements present the City of Kankakee, Illinois (the primary government) and its component units. The financial data of the component units is included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

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Blended Component Unit - A blended component unit is a legally separate entity from the City, but is so intertwined with the City that it is, in substance, the same as the City. For financial reporting purposes, the following component units are reported as if they were part of the City's operations.

1. **Kankakee Municipal Utility (Utility)** - The Utility is governed by a board which is comprised mainly of City Council members. As stated in the Kankakee Municipal Utility bylaws, one City Council member from each ward is required to serve on the Kankakee Municipal Utility Board. The Utility accounts for the operation of the sewer and solid waste systems which benefit the citizens of the City.
2. **Community Development Agency** - The Community Development Agency is governed by the City Council. Its major sources of revenue are intergovernmental grants that are used to benefit the citizens of the City.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Discretely Presented Component Unit - A discretely presented component unit is an entity that is legally separate from the City, but for which the City is financially accountable, or whose relationship with the City is such that exclusion would cause the City's basic financial statements to be misleading or incomplete. The following discretely presented component units are reported in a separate column to emphasize that they are legally separate from the City.

1. **Kankakee Public Library (Library)** - The Library is governed by a board appointed by the City Council. The majority of the Library's revenues are from a property tax levy approved by the Council. The City has also assumed the obligation to finance the Library's deficits.
2. **Special Service Area No. 1 (SSA No. 1)** - SSA No. 1 promotes and develops downtown Kankakee. Its major source of revenues is from a property tax levy approved by the City Council.

Separately audited financial statements for the component units are not available. Combining financial statements for the discretely presented component units are presented after the basic financial statements and prior to the notes to the financial statements.

B. Basis of Presentation

Government-wide Financial Statements - The government-wide statement of net assets and statement of activities report the overall financial activities of the City and its component units, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the City. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Additionally, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect expenses for centralized functions are included in the direct expenses. Program revenues include 1) fines, fees, and charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fund Financial Statements - The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

General Fund - This fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund - This fund accounts for the resources used for capital acquisition and other major capital improvement projects including streets, sidewalks and community development projects.

The City reports the following major proprietary fund:

Sewer Utility Fund- This fund accounts for the provision of sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including administration, operations, financing and billing and collection. Activities are funded with user fees.

Additionally, the City reports the following fiduciary fund type:

Pension Trust Funds - These funds account for the accumulation of retirement and disability benefits for police and firefighters' pension plans.

C. Measurement Focus and Basis of Accounting:

Government-wide, Proprietary and Fiduciary Fund Financial Statements - The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City receives value without directly giving equal value in exchange, include property tax revenue, grants, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. For example, the 2008 levy is recognized as revenue for the year ended April 30, 2010. Revenues from grants and other contributions are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from exchange transactions associated with a proprietary fund's principal ongoing activities. Exchange transactions are those in which each party receives and gives up essentially equal values. The principal operating revenues of the City's enterprise funds come from charges to customers for sales and services which include sewer and solid waste charges, utility fees and parking fees. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Pension trust funds recognize employer and participant contributions in the period in which contributions are due and the City has made a formal commitment to provide the contributions. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Governmental Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues, except for property taxes and income tax, to be available if they are collected within 90 days of the end of the current fiscal period. Revenues for property taxes are considered to be available if they are collected within 60 days of the end of the current fiscal year for the year intended to finance. Revenues for the income tax are considered to be available if they are collected within 120 to 150 days of the end of the current fiscal year due to further delay in receipt from the State. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt and claims and judgments are recorded only when payment is due. Compensated absences are recorded only when retirement or separation has occurred. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, income taxes, utility taxes, intergovernmental revenues, franchise taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Licenses and permits, fines and forfeitures, charges for sales and services (other than utility) and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

The City reports deferred/unearned revenue on its financial statements. Deferred/unearned revenues arise when a potential revenue does not meet both the measurable and available or earned criteria for recognition in the current period. Deferred/unearned revenues also arise when the resources are received by the City before it has a legal claim to them or prior to the provision of services. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the financial statements and revenue is recognized.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred revenues until earned.

D. Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. The value of open-end mutual funds are determined by the pool's share price. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds related to the retirement systems not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities. Cash deposits are reported at carrying amount which reasonably estimates fair value. All external investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

E. Interfund Transactions

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" for the current portion of interfund loans or "advances to/from other funds" for the non-current portion of interfund loans. All other outstanding balances between funds are reported as "due to/from other funds." Interfund balances between governmental funds and between proprietary funds are not included in the government-wide statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not expendable available financial resources.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The City has the following types of interfund transactions:

Loans - Amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e. due from other funds) in lender funds and interfund payables (i.e. due to other funds) in borrower funds in the fund balance sheets or fund statements of net assets.

Services Provided and Used - Sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

Reimbursements - Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers - Flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

F. Inventory and Prepaid Items

Inventory, such as fuel and office supplies, is accounted for using the consumption method and is valued at an average weighted cost. Inventory reported in the governmental funds is not available for appropriation and therefore, results in a reservation of fund balance.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. Restricted Assets - Enterprise Funds

Certain cash and investments in the Sewer Utility Fund are restricted in accordance with the ordinances authorizing the issuance of the revenue bonds. These assets are reflected as restricted cash and investments and restrictions of net assets.

H. Long-Term Debt, Bond Premiums, Discounts and Issuance Costs

In the government-wide and proprietary fund financial statements, outstanding debts are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. The amount of bond issue costs amortized during the year ended April 30, 2010, for the governmental and business-type activities was \$97,329 and \$10,455, respectively. The unamortized bond issuance cost at April 30, 2010 for the governmental and business-type activities was \$1,265,459 and \$200,153, respectively.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

In the fund financial statements, government fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

I. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (roads, bridges, drainage systems, traffic controls, etc.) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

Minimum capitalization costs are as follows:

Land	\$ 25,000
Machinery, equipment and vehicles	5,000
Buildings, land improvements, leasehold improvements	100,000
Infrastructure assets	250,000

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized, whereas improvements extending the useful lives of the related capital assets are capitalized.

Capital assets of the City and its component units are depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings, major plant and sewerage equipment	20 - 75
Machinery, equipment and vehicles	5 - 20
Improvements	7 - 40
Infrastructure	25 - 100

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

J. Net Assets

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, plus any material unspent bond proceeds.

Restricted - This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the City's policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted - This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

K. Compensated Absences

City employees are entitled to certain compensated absences based on their length of employment. With minor exceptions, compensated absences either vest or accumulate and are accrued when they are earned.

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

L. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments, including cash in excess of daily requirements that is invested in marketable securities, substantially all of which have a maturity of three months or less when acquired.

M. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

N. Fund Equity - Fund Financial Statements

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent amounts that are not available for appropriation or are legally restricted by outside parties for specific purposes. Reserved fund balances in pension trust funds represent the net assets held in trust that are required to be reserved for the employees' pension benefits.

O. Investment in Joint Venture

The Sewer Utility Fund has two investments in joint ventures which are reported on the equity method of accounting.

NOTE 2 - DEPOSITS AND INVESTMENTS:

Investing is performed in accordance with investment policies complying with state statutes (as outlined in the Illinois Public Funds Act of 1943) and City charter. These statutes and the City charter authorize the City to invest in direct and general obligations of the United States of America, obligations issued or guaranteed by instrumentalities or agencies of the United States of America, direct and general obligations of any state, interest-bearing demand or time deposits or interest in money market portfolios issued by state banks or trust companies or national banking associations or savings and loan associations that are continuously and fully insured, shares of a diversified open-end management investment company, state pooled investment funds, or repurchase agreements of government securities through banks or trust companies. Police and Fire pension investments are governed by the Illinois Pension Code which authorize, in addition to the above investments, investments in common stock, mutual funds and life insurance company contracts. The City's Police and Firefighters' Pension funds, under the direction of their respective Boards of Trustees, contractually delegate investment oversight to investment managers.

The City maintains a cash and investment pool that is available for use by the General Fund, Capital Projects Fund, and all special revenue funds (except the Motor Fuel Tax Fund, the Community Development Agency, and the Senior Aides Program). In addition, non-pooled cash and investments are separately held by several of the City's funds including component units. The deposits and investments of the pension trust funds are held separately from those of the other City funds.

Deposits:

The City, component units and pension trust funds' investment policies require all uninsured deposits with financial institutions to be fully collateralized with the collateral held by an independent third party acting as the City's agent and held in the name of the City, component units and pension trust funds, respectively.

At April 30, 2010, the carrying amount of the City's deposits for governmental and business-type activities was \$939,810 and the bank balance was \$1,860,506. The entire bank balance was covered through federal depository insurance or by collateral held by the City or its agent, in the City's name.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued):

At April 30, 2010, the carrying amount of deposits of fiduciary activities was \$496,161 and the bank balance was \$496,161. The entire bank balance was covered through federal depository insurance.

At April 30, 2010, the carrying amount of deposits of the City's component units was \$640,591 and the bank balance was \$645,459 of which \$305,349 was uninsured and uncollateralized. This portion of the bank balance that is uninsured and uncollateralized is a violation of the City's investment policy.

Investments:

The following table presents the investments and investment maturities of the City and its component units as of April 30, 2010. Categorized investments are insured or registered for which the securities are held by the City or its agent in the City's name. Uncategorized investments are not subject to categorization because they are not securities. The relationship between the City and the investment agent is a direct contractual relationship.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Governmental and business-type activities:					
Uncategorized investments:					
Illinois Funds	\$ 210,358	\$ 210,358			
Treasury Management Investment Fund	11,342,000	11,342,000			
Illinois Metropolitan Investment Fund (IMET)	<u>140,804</u>	<u>140,804</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>11,693,162</u>	<u>11,693,162</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Fiduciary activities:					
Categorized investments:					
U.S. Treasury obligation	5,480,392	1,571,920	1,839,754	2,068,718	
U.S. Government agencies	3,434,416	513,036	879,587	123,461	1,918,332
Uncategorized investments:					
Illinois Funds	59	59			
Corporate bonds	23,745		23,745		
Mutual funds	7,111,909	7,111,909			
Money market	1,694,160	1,694,160			
Common stock (1)	<u>1,918,680</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>19,663,361</u>	<u>10,891,084</u>	<u>2,743,086</u>	<u>2,192,179</u>	<u>1,918,332</u>
Component units:					
Uncategorized investments:					
Treasury Management Investment Fund	<u>155,546</u>	<u>155,546</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total investments	\$ <u>31,512,069</u>	\$ <u>22,739,792</u>	\$ <u>2,743,086</u>	\$ <u>2,192,179</u>	\$ <u>1,918,332</u>

(1) Risk disclosures do not apply to equities.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued):

Certificates of deposits, which have been presented as bank deposits in this note, are classified as investments for financial reporting purposes.

The investments in the securities of U.S. government agencies were all rated AAA by Standard & Poor's, and AAA by Moody's Investors Services. The securities of U.S. government agencies at April 30, 2010 consist of the following:

	<u>Fiduciary</u>
FFCB	\$ 66,056
FHLMC	761,861
FNMA	2,418,149
GNMA	147,251
TVA	<u>41,099</u>
Total	<u>\$3,434,416</u>

In accordance with the City's investment policy, the City invests in mortgage-backed securities. These securities are reported at fair value and are based on the cash flows from interest and principal payments by the underlying mortgages. As a result, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates. For example, if interest rates decline and homeowners refinance mortgages, thereby prepaying the mortgages underlying these securities, the cash flow from interest payments is reduced and the value of these securities declines. Likewise, if homeowners pay on mortgages longer than anticipated, the cash flows are greater and the return on the initial investment would be higher than anticipated. The City invests in mortgage-backed securities to diversify the portfolio and to increase the return while minimizing the extent of risk.

The City invests in Illinois Funds, an external investment pool administered by the State Treasurer, which is rated AAAM by Standard & Poor's Investment Services. The City also invests in Treasury Management Investment Fund, an external investment sweep fund designed specifically for government and municipal entities. The Fund is administered by Allegiance Asset Management Company. The Fund has an average portfolio quality rating of A1+/P1. The City also invests in Illinois Metropolitan Investment Fund, an external investment pool administered by and for Illinois public funds managers and financial officers, which is rated AAAsf/S1 by Standard & Poor's Investment Services. No rating is available for the City's investment in money market and corporate bonds which are managed by an investment broker.

Interest Rate Risk

The City's investment policy limits investment maturities in the General Fund and Special Revenue Funds to a maximum of 36 months. Investments in other funds may be purchased with a longer maturity to match future project or liability requirements as limited by bond ordinances. However, in practice, the City generally limits the average duration of its investments to less than one year in order to control fair value losses arising from increasing interest rates and to remain sufficiently liquid to meet operating needs. Interest rate risk for investments held by Pension Trust Funds is managed by establishing investment parameters for the investment managers.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued):

Credit Risk

The City's investment and cash management policy, as well as the investment policies of the Police and Firefighters' Pension Trust Funds, prescribe to the "prudent person" rule, which states "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the possible income to be derived." The City's investment policy follows the requirements of the State of Illinois Public Funds Investment Act, which prescribes allowable investment vehicles. According to the City's investment policy governing diversification, its investment in Illinois Funds shall not exceed 40 percent of the total investment portfolio unless specifically authorized by the City Council. The City places no limit on the amount the City may invest in any other issuer. The Police and Firefighters' Pension Trust Funds each have separate investment policies, which establish criteria for allowable investments. Both funds follow the requirements of the Illinois Pension Code. The following significant investments (other than those explicitly guaranteed or issued by the U.S. government or those invested in mutual funds, external investment pools or other pooled investments) in the Police and Firefighters' Pension Plans represent 5 percent or more of the net assets available for benefits of the respective plans:

Police Pension Fund:	
FNMA	<u>\$1,913,716</u>
Firefighters' Pension Fund:	
FNMA	\$ 504,433
FHLMC	<u>761,861</u>
	<u>\$1,266,294</u>

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS:

Illinois Municipal Retirement Fund:

Plan Description

The City contributes to the Illinois Municipal Retirement Fund (IMRF), which provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. IMRF is an agent-multiple-employer public employee retirement system that acts as a common investment and administrative agent for local governments and school districts in Illinois. The IMRF covers all City employees who occupy a job normally requiring 600 hours or more per year, are paid on a regular payroll from City funds, were under age 60 when first entering employment and are not covered by another state-created retirement system for the same service. Employees not qualifying above are considered "Nonparticipating employees" and are covered under Social Security or under the police pension or firefighters' pension plans. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. IMRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole, but not for individual employers. That report may be obtained on-line at www.imrf.org.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):

Funding Policy

As set by statute, employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2009 was 7.80 percent of annual covered payroll. Employer also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost

For 2009, the City's annual pension cost of \$444,242 was equal to the City's required and actual contributions. The required contribution for 2009 was determined as part of the December 31, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2007, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00 percent a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4 percent to 10.0 percent per year depending on age and services, attributable to seniority/merit, and (d) post-retirement benefit increases of 3 percent annually. The actuarial value of IMRF assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 15 percent corridor between the actuarial and market value of assets. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2007, valuation was 23 years.

Three-Year Trend Information

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
December 31, 2009	\$444,242	100%	\$-0-
December 31, 2008	473,924	100	-0-
December 31, 2007	266,410	100	-0-

Funded Status and Funding Progress

As of December 31, 2009, the most recent actuarial valuation date, the City's IMRF plan was 78.09 percent funded. The actuarial accrued liability for benefits was \$17,989,344 and the actuarial value of assets was \$14,047,445, resulting in an underfunded actuarial accrued liability (UAAL) of \$3,941,899. The covered payroll (annual payroll of active employees covered by the plan) was \$5,695,408 and the ratio of the UAAL to the covered payroll was 69 percent. In conjunction with the December 2009 actuarial valuation the market value of investments was determined using techniques that spread the effect of short-term volatility in the market value of investments over a five year period with a 20 percent corridor between the actuarial and market value of assets. In 2010, the unfunded actuarial accrued liability is being amortized on a level percentage of projected payroll on an open 30 year basis.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):

Police Pension and Firefighters' Pension Funds:

A. Plan descriptions

The City contributes to two single-employer defined benefit pension plans: The Police Pension Plan and the Firefighters' Pension Plan (Plans). Each plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. Sworn Police and Fire personnel are covered by the Plans. Although these are single-employer pension plans, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (ILCS) and may be amended only by the Illinois legislature. The City accounts for the Plans as Pension Trust Funds. The City does not, however, separately issue audited financial reports for the Plans.

Police Pension Plan

Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of 2.5 percent of final salary for each year of service up to 30 years, to a maximum of 75 percent of such salary.

Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit of 2.5 percent of final salary for each year of service.

Surviving spouses receive 100 percent of final salary for fatalities resulting from an act of duty, or otherwise the greater of 50 percent of final salary or the employee's retirement benefit.

Employees disabled in the line of duty receive 65 percent of final salary.

The monthly pension of a covered employee who retired with 20 or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years by 3 percent of the originally granted pension. Beginning with increases granted on or after July 1, 1993, the second and subsequent automatic annual increases shall be calculated as 3 percent of the amount of the pension payable at the time of the increase.

Employees are required by ILCS to contribute 9.91 percent of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest.

Firefighters' Pension Plan

Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the monthly salary attached to the rank held in the fire service at the date of retirement. The monthly pension shall be increased by one-twelfth of 2.5 percent of such monthly salary for each additional month of service over 20 years up to 30 years, to a maximum of 75 percent of such monthly salary.

Employees with at least 10 years, but less than 20 years of credited service, may retire at or after age 60 and receive a reduced retirement benefit ranging from 15 percent of final salary for 10 years of service to 45.6 percent for 19 years of service.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):

Surviving spouses receive 100 percent of final salary for fatalities resulting from an act of duty, or otherwise the greater of 54 percent of final salary or the monthly retirement pension that the deceased firefighter was receiving at the time of death. Surviving children receive 12 percent of final salary. The maximum family survivor benefit is 75 percent of final salary.

Employees disabled in the line of duty receive 65 percent of final salary. The monthly pension of a covered employee who retired with 20 or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55, by 3 percent of the amount of the pension payable at the time of the increase.

Covered employees are required by ILCS to contribute 9.46 percent of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest.

Membership of the Plans is as follows:

	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Retirees and beneficiaries receiving benefits	53	71
Terminated plan members entitled to but not yet receiving benefits	1	1
Active vested plan members	56	23
Active nonvested plan members	<u>18</u>	<u>34</u>
Total	<u>128</u>	<u>129</u>

B. Summary of Significant Accounting Policies and Plan Asset Matters

The financial statements of the Plans are prepared using the accrual basis of accounting. Employee contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. All plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investments without an established market are reported at estimated fair value. Administrative costs are financed through investment earnings.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):

C. Significant Investments

There are no significant investments (other than those guaranteed or issued by the U.S. government) in any one organization that represent 5 percent or more of the net assets available for benefits except for the following investments:

Police Pension Fund:	
Standard & Poor's Midcap 400 Fund	\$ 835,128
Standard & Poor's 500 Fund	1,446,863
Calamos Growth and Income Fund	<u>758,130</u>
	<u>\$3,040,121</u>
Firefighters' Pension Fund:	
Calamos Growth and Income Fund	\$ 712,577
Standard & Poor's 500 Fund	570,298
Gabelli Value Fund	<u>437,600</u>
	<u>\$1,720,475</u>

D. Funding Policy

The City funds its contribution to the Plans through an annual tax levy. The levy amount is actuarially determined as the annual contribution necessary to fund the normal cost, plus the amount to amortize the unfunded accrued liability. Actuarial valuations are performed annually. There are no material current year changes to the actuarial assumptions and benefit provisions.

Employer contributions have been determined as follows:

	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Actuarial valuation date	April 30, 2009	April 30, 2009
Employer contribution rate	29.63% of covered payroll	38.21% of covered payroll
Actuarial cost method	Entry-age normal	Entry-age normal
Asset valuation method	Market	Market
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed
Remaining amortization period	24 years	24 years

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):

Significant actuarial assumptions:

(a) Investment rate of return*	8.0% compounded annually	8.0% compounded annually
(b) Projected salary increases*	5% compounded annually	5% compounded annually
(c) Cost of living adjustments	3% per year	3% per year
* Includes inflation at	3%	3%

Employer annual pension costs (APC), percentage of APC contributed and the net pension obligation (NPO) are as follows. The NPO is the cumulative difference between the Annual Required Contribution (ARC) and the contributions actually made.

	Year Ending April 30,	Police Pension	Firefighters' Pension
Annual pension costs (APC):			
	2008	\$1,359,250	\$1,478,615
	2009	1,404,128	1,572,284
	2010	1,534,697	1,696,706
Percentage of APC contributed:			
	2008	95.9%	88.0%
	2009	91.4%	82.9%
	2010	92.4%	82.6%
NPO:			
	2008	\$4,488,227	\$6,369,363
	2009	4,608,935	6,637,985
	2010	4,726,086	6,933,707

The City's APC and NPO for fiscal year 2010 has been calculated as follows:

	Police Pension	Firefighters' Pension
Annual required contribution	\$1,417,545	\$1,518,183
Interest on net pension obligation	391,759	564,229
Adjustment to annual required contribution	<u>(274,608)</u>	<u>(385,705)</u>
Annual pension cost	1,534,696	1,696,707
Contributions made	<u>1,417,545</u>	<u>1,400,985</u>
Increase in net pension obligation	117,151	295,722
Net pension obligation, beginning of year	<u>4,608,935</u>	<u>6,637,985</u>
Net pension obligation, end of year	<u>\$4,726,086</u>	<u>\$6,933,707</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):

E. Pension Financial Statements

The following is a combining statement of plan net assets as of April 30, 2010:

	<u>Police Pension Fund</u>	<u>Firefighters' Pension Fund</u>	<u>Totals</u>
Assets:			
Cash and short-term investments	\$ 1,172,111	\$1,018,272	\$ 2,190,383
Receivables, less allowance for uncollectible amounts:			
Employee contributions	20,180	14,334	34,514
Employer contributions	145,158	128,965	274,123
Interest	28,360	34,672	63,032
Investments, at fair value:			
Open-end mutual funds	3,522,238	3,589,671	7,111,909
Corporate securities	1,918,680		1,918,680
U.S. treasury and agency securities	5,246,024	3,668,784	8,914,808
Corporate bonds		23,745	23,745
Prepaid items		<u>9,830</u>	<u>9,830</u>
 Total assets	 <u>12,052,751</u>	 <u>8,488,273</u>	 <u>20,541,024</u>
 Liabilities:			
Benefits and other payables	<u>26,638</u>	<u>204,214</u>	<u>230,852</u>
 Net assets held in trust for pension benefits	 <u>\$12,026,113</u>	 <u>\$8,284,059</u>	 <u>\$20,310,172</u>

The following is a combining statement of changes in plan net assets for the year ended April 30, 2010:

	<u>Police Pension Fund</u>	<u>Firefighters' Pension Fund</u>	<u>Totals</u>
Additions:			
Contributions:			
Employer	\$1,417,545	\$1,518,183	\$2,935,728
Employee	<u>477,278</u>	<u>347,467</u>	<u>824,745</u>
 Total contributions	 <u>1,894,823</u>	 <u>1,865,650</u>	 <u>3,760,473</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):

Investment income (loss):			
Net appreciation in			
fair value of investments	\$ 1,410,284	\$ 813,941	\$ 2,224,225
Interest and dividends	<u>220,385</u>	<u>228,819</u>	<u>449,204</u>
	1,630,669	1,042,760	2,673,429
Less: investment expenses	<u>(77,256)</u>	<u>(55,605)</u>	<u>(132,861)</u>
Net investment income	<u>1,553,413</u>	<u>987,155</u>	<u>2,540,568</u>
Total additions	<u>3,448,236</u>	<u>2,852,805</u>	<u>6,301,041</u>
Deductions:			
Benefits	1,866,819	2,197,226	4,064,045
Refunds of contributions	12,796	31,690	44,486
Administrative expenses	<u>25,260</u>	<u>56,377</u>	<u>81,637</u>
Total deductions	<u>1,904,875</u>	<u>2,285,293</u>	<u>4,190,168</u>
Net increase	1,543,361	567,512	2,110,873
Net assets held in trust for			
pension benefits:			
May 1, 2009	<u>10,482,752</u>	<u>7,716,547</u>	<u>18,199,299</u>
April 30, 2010	<u>\$12,026,113</u>	<u>\$8,284,059</u>	<u>\$20,310,172</u>

F. Funded Status

The funded status of the Plans based on actuarial valuations performed as of April 30, 2009, is as follows. The actuarial assumptions used to determine the funded status of the plans are the same actuarial assumptions used to determine the employer annual pension contribution of the plans as disclosed above in Note 3 D:

	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Actuarial accrued liability (AAL)	\$35,675,410	\$34,495,541
Actuarial value of plan assets	11,900,298	7,716,547
Unfunded actuarial accrued liability (UAAL)	23,775,112	26,778,994
Funded ratios (actuarial value of plan assets / AAL)	33.36%	22.37%
Covered payroll (active plan members)	4,783,798	3,666,627
UAAL as a percentage of covered payroll	496.99%	730.34%

A schedule of funding progress and a schedule of employer contributions may be found in the required supplementary information immediately following the notes to the financial statements.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 4 – OTHER POST-EMPLOYMENT BENEFITS:

Plan Description

In addition to providing the pension benefits described, the City provides post-employment health care benefits (OPEB) for retired employees through a single employer defined benefit plan. The benefits, benefit levels, employee contributions and any employer contributions are governed by the City and can be amended by the City through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report. The activities of the plan are reported in the City's General Fund and Kankakee Municipal Utility Sewer Utility Fund.

Benefits Provided

The City provides post-employment health care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under one of the City's retirement plans or meet COBRA requirements, except for the Public Works union employees, who are covered under the union's insurance plan.

All health care benefits are provided through the City's health plan. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services; mental, nervous, and substance abuse care; and prescriptions. Eligibility in the City sponsored health care plan is not discontinued upon eligibility for federally sponsored health care benefits. The retirees may continue on the City's health plan as a supplement to other plans for which the retirees are eligible.

Membership

At April 30, 2010, membership consisted of:

Retirees and beneficiaries currently receiving benefits	24
Terminated employees entitled to benefits but not yet receiving them	0
Active vested plan members	159
Active nonvested plan members	<u>103</u>
Total	<u>286</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 4 – OTHER POST-EMPLOYMENT BENEFITS (Continued):

Funding Policy

The City negotiates the contribution percentages between the City and employees through the union contracts and personnel policy. All retirees contribute 100% of the actuarially determined premium to the plan (except for the Kankakee Municipal Utility retirees who contribute 20% of premium for the first three years only), to cover the cost of providing the benefits to the current members via the insured plan (pay as you go) which results in an implicit subsidy to the City as defined by the GASB Statement No. 45. For the fiscal year ending April 30, 2010, retirees contributed \$229,296 and the City contributed \$112,792 toward the implicit subsidy. The City is not required to and currently does not advance fund the cost of benefits that will become due and payable in the future. Active employees do not contribute to the plan until retirement.

Annual OPEB Costs and Net OPEB Obligation

The City first had an actuarial valuation performed for the plan as of April 30, 2009 to determine the funded status of the plan as of that date as well as the employer's annual required contribution (ARC) for the fiscal years ended April 30, 2009 and 2010. The City's annual OPEB cost (expense) was \$203,633 while the ARC was \$202,103 for the fiscal year ended April 30, 2010. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for April 30, 2010 were as follows (information for the preceding years is not available as an actuarial valuation was performed for the first time as of April 30, 2009):

<u>Year Ending April 30,</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$203,633	\$112,792	55.4%	\$182,594
2009	204,545	112,792	55.1%	91,753

The net OPEB obligation (NOPEBO) as of April 30, 2010, was calculated as follows:

Annual required contribution	\$202,103
Interest on net OPEB obligation	4,588
Adjustment to annual required contribution	<u>(3,058)</u>
Annual OPEB cost	203,633
Contributions made	<u>112,792</u>
Increase in net OPEB obligation	90,841
Net OPEB obligation, beginning of year	<u>91,753</u>
Net OPEB obligation, end of year	<u>\$182,594</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 4 – OTHER POST-EMPLOYMENT BENEFITS (Continued):

Funded Status and Funding Progress

The Funded status of the plan as of April 30, 2010 was as follows:

Actuarial accrued liability (AAL)	\$3,220,549
Actuarial value of plan assets	-0-
Unfunded actuarial accrued liability (UAAL)	3,220,549
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	12,990,200
UAAL as a percentage of covered payroll	24.79%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the April 30, 2009 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.00% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate starting at 8.00% initially and 6.00% ultimately. Both rates include a 3.00% inflation assumption. The actuarial value of assets was not determined as the City has not advance funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at April 30, 2010, was 29 years.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 5 - RESERVED FUND BALANCES:

General Fund:

Reserve for Prepaid Insurance

The City is insured through the Illinois Public Risk Fund. The period of coverage is from December 15, 2009 through December 15, 2010. The portion of insurance prepaid is shown as a reserved fund balance. At April 30, 2010, the fund balance was reserved for

\$481,958

Reserve for Inventories

The City maintains an inventory of gasoline and supplies. The value of the inventory is shown as a reserved fund balance. At April 30, 2010, the fund balance was reserved for

33,946

Total General Fund Reserves

\$515,904

Capital Projects Fund:

Reserve for Capital Projects

The City has reserved the unexpended portion of Series 2008 and Series 2009 Bonds for future capital projects within the City

\$4,385,453

Nonmajor Governmental Funds:

Debt Service Funds:

Reserve for Debt Service

The City of Kankakee has a reserve of fund balance for the retirement of General Obligation Bonds. At April 30, 2010, the fund balance was reserved for

\$292,011

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 5 - RESERVED FUND BALANCES (Continued):

Tax Increment Financing Districts:

Reserve for Economic Development

The City has reserved the unexpended revenues of its various Tax Increment Financing Districts for the future economic development activities of the District. At April 30, 2010, the fund balances were reserved as follows:

Tax Increment Financing District No. 2	\$ 577,030
Tax Increment Financing District No. 3	148,292
Tax Increment Financing District No. 4	113,980
Tax Increment Financing District No. 5	107,363
Tax Increment Financing District No. 6	113,206
Tax Increment Financing District No. 7	82,519
Tax Increment Financing District No. 8	<u>179,641</u>
	<u>\$1,322,031</u>

Motor Fuel Tax Fund:

Reserve for Unexpended Street Maintenance Programs

The City of Kankakee has reserved the unexpended amounts for the 2010 street maintenance programs for a total of \$316,396

Fiduciary Funds:

Pension Trust Funds:

Reserve for Employees' Pension Benefits

The City of Kankakee has reserved the net assets held in trust for the benefit of all active members and pensioners of the Police and Firefighters' Pension Funds. At April 30, 2010, the fund balance was reserved as follows:

Police Pension Fund	\$12,026,113
Firefighters' Pension Fund	<u>8,284,059</u>
	<u>\$20,310,172</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 6 - CAPITAL ASSETS:

A summary of changes in capital assets of the City and its component units for the year ended April 30, 2010 is as follows:

	<u>Balance May 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance April 30, 2010</u>
Primary government:				
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,653,066			\$5,653,066
Construction in progress	<u>11,267,327</u>	<u>\$1,115,764</u>	<u>\$11,240,684</u>	<u>1,142,407</u>
Total capital assets not being depreciated	<u>16,920,393</u>	<u>1,115,764</u>	<u>11,240,684</u>	<u>6,795,473</u>
Capital assets being depreciated:				
Buildings	7,368,639	7,416,808	265,134	14,520,313
Equipment	1,740,216	142,427	54,360	1,828,283
Vehicles	6,434,076	341,539	385,703	6,389,912
Land improvements	2,449,855	677,962		3,127,817
Infrastructure	<u>72,348,912</u>	<u>7,025,393</u>	<u>300,011</u>	<u>79,074,294</u>
Total capital assets being depreciated	<u>90,341,698</u>	<u>15,604,129</u>	<u>1,005,208</u>	<u>104,940,619</u>
Less accumulated depreciation:				
Buildings	1,372,451	187,706	265,134	1,295,023
Equipment	1,385,608	148,414	54,360	1,479,662
Vehicles	3,547,109	367,632	341,356	3,573,385
Land improvements	737,915	144,431		882,346
Infrastructure	<u>13,876,447</u>	<u>999,121</u>	<u>39,002</u>	<u>14,836,566</u>
Total accumulated depreciation	<u>20,919,530</u>	<u>1,847,304</u>	<u>699,852</u>	<u>22,066,982</u>
Total capital assets being depreciated, net	<u>69,422,168</u>	<u>13,756,825</u>	<u>305,356</u>	<u>82,873,637</u>
Total capital assets, net	<u>\$86,342,561</u>	<u>\$14,872,589</u>	<u>\$11,546,040</u>	<u>\$89,669,110</u>

Depreciation expense for governmental activities for the year ended April 30, 2010 was charged to functions as follows:

General government	\$ 212,312
Public safety	468,388
Public works	165,884
Highways and streets	999,121
Community development	<u>1,599</u>
	<u>\$1,847,304</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 6 - CAPITAL ASSETS (Continued):

	<u>Balance May 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance April 30, 2010</u>
Business-type activities:				
Sewer Utility:				
Capital assets not being depreciated:				
Land	\$ 257,359			\$ 257,359
Construction in progress	<u>1,406,298</u>	<u>\$513,169</u>	<u>\$764,156</u>	<u>1,155,311</u>
Total capital assets not being depreciated	<u>1,663,657</u>	<u>513,169</u>	<u>764,156</u>	<u>1,412,670</u>
Capital assets being depreciated:				
Buildings	11,695,519			11,695,519
Equipment	1,398,106	312,716		1,710,822
Vehicles	638,462	38,078		676,538
Leasehold improvements	289,696			289,696
Infrastructure	<u>26,209,012</u>	<u>1,123,520</u>	<u>—</u>	<u>27,332,533</u>
Total capital assets being depreciated	<u>40,230,795</u>	<u>1,474,314</u>	<u>-0-</u>	<u>41,705,108</u>
Less accumulated depreciation:				
Buildings	4,660,561	247,182		4,907,742
Equipment	867,861	89,279		957,140
Vehicles	567,195	35,952		603,146
Leasehold improvements	53,684	7,290		60,975
Infrastructure	<u>9,323,623</u>	<u>614,476</u>	<u>—</u>	<u>9,938,099</u>
Total accumulated depreciation	<u>15,472,924</u>	<u>994,179</u>	<u>-0-</u>	<u>16,467,102</u>
Total capital assets being depreciated, net	<u>24,757,871</u>	<u>480,135</u>	<u>-0-</u>	<u>25,238,006</u>
Total capital assets, net	<u>\$26,421,528</u>	<u>\$ 993,304</u>	<u>\$764,156</u>	<u>\$26,650,676</u>
Motor Vehicle Parking:				
Capital assets not being depreciated:				
Land	<u>\$1,443,808</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,443,808</u>
Capital assets being depreciated:				
Equipment	82,384			82,384
Vehicles	18,555			18,555
Land improvements	<u>731,992</u>	<u>—</u>	<u>—</u>	<u>731,992</u>
Total capital assets being depreciated	<u>832,931</u>	<u>-0-</u>	<u>-0-</u>	<u>832,931</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 6 - CAPITAL ASSETS (Continued):

	<u>Balance May 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance April 30, 2010</u>
Less accumulated depreciation:				
Equipment	\$ 82,384			\$ 82,384
Vehicles	18,555			18,555
Land improvements	<u>731,992</u>	<u> </u>	<u> </u>	<u>731,992</u>
Total accumulated depreciation	<u>832,931</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>832,931</u>
Total capital assets being depreciated, net	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total capital assets, net	<u>\$1,443,808</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$1,443,808</u>
Component Units:				
Library:				
Capital assets being depreciated:				
Buildings	\$7,758,883			\$7,758,883
Equipment	59,489			59,489
Leasehold improvements	<u>156,317</u>	<u> </u>	<u> </u>	<u>156,317</u>
Total capital assets being depreciated	<u>7,974,689</u>	<u>\$ -0-</u>	<u>\$-0-</u>	<u>7,974,689</u>
Less accumulated depreciation:				
Buildings	1,056,034	96,076		1,152,110
Equipment	59,489			59,489
Leasehold improvements	<u>46,896</u>	<u>7,816</u>	<u> </u>	<u>54,712</u>
Total accumulated depreciation	<u>1,162,419</u>	<u>103,892</u>	<u>-0-</u>	<u>1,266,311</u>
Total capital assets, net	<u>\$6,812,270</u>	<u>\$(103,892)</u>	<u>\$-0-</u>	<u>\$6,708,378</u>
Special Service Area No. 1:				
Capital assets being depreciated:				
Land improvements	<u>\$861,430</u>	<u>\$264,702</u>	<u>\$-0-</u>	<u>\$1,126,132</u>
Less accumulated depreciation:				
Land improvements	<u>86,306</u>	<u>54,918</u>	<u> </u>	<u>141,224</u>
Total capital assets, net	<u>\$775,124</u>	<u>\$209,784</u>	<u>\$-0-</u>	<u>\$984,908</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES:

Interfund balances at April 30, 2010 consisted of the following:

Primary government:	
Governmental funds:	
Due to General Fund from:	
Sewer Utility Fund	\$ 5,467
Nonmajor proprietary funds	419,356
Nonmajor governmental funds	<u>422,373</u>
Total	<u>\$847,196</u>
Component units:	
Library	<u>\$68,668</u>
Due to Capital Projects Fund from:	
Nonmajor governmental funds	<u>\$171,344</u>
Component units:	
Library	<u>\$143,205</u>
Due to nonmajor governmental funds from:	
Nonmajor governmental funds	<u>\$271,192</u>
Component units:	
Library	<u>\$8,681</u>
Enterprise funds:	
Due to Sewer Utility Fund from:	
Nonmajor governmental funds	<u>\$120,243</u>

These balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. All these interfund balances are expected to be repaid within one year.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 8 - ACCOUNTS RECEIVABLE:

An analysis of the collectibility of accounts receivable for sewer, garbage collection, community oriented policing fees and Community Development Agency loans was performed as of April 30, 2010. The analysis shows that the collection of approximately \$758,512 of these accounts is doubtful. An allowance for uncollectible accounts for this amount has been recorded. At April 30, 2010, the City has deferred economic development loans receivable of \$837,318 since they will not be available to pay current period expenditures. All other receivables are scheduled for collection during the fiscal year ending April 30, 2010.

Accounts receivable at April 30, 2010, are as follows:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Activities</u>
Governmental activities:			
Trash collection	\$160,024		\$ 160,024
Franchise fees	59,780		59,780
Economic development loans		\$1,025,787	1,025,787
Other receivables	<u>138,537</u>	<u>153</u>	<u>138,690</u>
Total	358,341	1,025,940	1,384,281
Less: allowance for doubtful accounts	(109,512)	(188,000)	(297,512)
Accounts receivable, net	<u>\$248,829</u>	<u>\$ 837,940</u>	<u>\$1,086,769</u>
	<u>Sewer Utility Fund</u>	<u>Nonmajor Proprietary Funds</u>	<u>Total Business-Type Activities</u>
Business-type activities:			
Sewer charges	\$1,592,266		\$1,592,266
Garbage collection		\$594,211	594,211
Other receivables	<u>11,999</u>		<u>11,999</u>
Total	1,604,265	594,211	2,198,476
Less: allowance for doubtful accounts	(400,000)	(61,000)	(461,000)
Accounts receivable, net	<u>\$1,204,265</u>	<u>\$533,211</u>	<u>\$1,737,476</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 9 - DUE FROM OTHER GOVERNMENTAL AGENCIES:

The following receivables are included in due from other governmental agencies:

Governmental activities:

General Fund:

Sales tax	\$4,826,240
Local use tax	82,247
State replacement tax	101,731
Income tax	758,828
Various grants	<u>166,830</u>

Total General Fund 5,935,876

Capital Projects Fund:

FEMA Grant	142,463
LEED Grant	<u>45,000</u>

Total Capital Project Fund 187,463

Nonmajor governmental funds:

CDBG Grant	89,653
Lead Grant	63,814
Motor fuel taxes	<u>59,632</u>

Total nonmajor governmental funds 213,099

Total governmental activities \$6,336,438

Business-type activities:

Sewer Utility Fund:

Kankakee River Metropolitan Agency	<u>\$496,159</u>
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NOTE 10 - SPECIAL ASSESSMENTS:

The special assessments receivable of \$2,587,000 results from the creation of Indian Meadows Special Tax Assessment District for infrastructure costs. The special assessments are recorded when levied. Deferred assessments consist of unbilled special assessments which are liens against the property benefited. \$2,307,500 of the special assessments receivable is not expected to be collected within one year.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 11 - LONG-TERM DEBT OBLIGATIONS:

A summary of changes in long-term debt for the year ended April 30, 2010 is as follows:

	<u>Balance</u> <u>May 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>April 30, 2010</u>	<u>Due within</u> <u>One Year</u>
Primary Government:					
Governmental activities:					
Bonds Payable:					
General obligation bonds	\$72,817,327		\$3,905,000	\$68,912,327	\$4,285,000
Premium on bond proceeds	1,369,345		184,141	1,185,204	
Less: deferred loss on refunded debt	<u>816,932</u>		<u>125,627</u>	<u>691,305</u>	
Total bonds payable	73,369,740	\$ -0-	3,963,514	69,406,226	4,285,000
Installment notes	3,484,556		318,223	3,166,333	281,732
Unfunded employer pension contributions	11,246,920	412,873		11,659,793	
Compensated absences	4,529,000	2,131,000	1,980,000	4,680,000	1,950,000
Net other post employment benefit obligation	<u>70,908</u>	<u>132,362</u>	<u>73,315</u>	<u>129,955</u>	
Total long-term debt	<u>\$92,701,124</u>	<u>\$2,676,235</u>	<u>\$6,335,052</u>	<u>\$89,042,307</u>	<u>\$6,516,732</u>
Business-type activities:					
Bonds Payable:					
Revenue bonds	\$2,970,000	\$4,000,000	\$175,000	\$6,795,000	\$400,000
Discount on bond proceeds		<u>(12,945)</u>		<u>(12,945)</u>	
Total bonds payable	2,970,000	3,987,055	175,000	6,782,055	400,000
Compensated absences	403,000	250,000	150,000	503,000	60,000
Net other post employment benefit obligation	<u>20,845</u>	<u>71,271</u>	<u>39,477</u>	<u>52,639</u>	
Total long-term debt	<u>\$3,393,845</u>	<u>\$4,308,326</u>	<u>\$364,477</u>	<u>\$7,337,694</u>	<u>\$460,000</u>
Component units:					
Capital lease obligations	<u>\$3,154,648</u>	<u>\$-0-</u>	<u>\$98,725</u>	<u>\$3,055,923</u>	<u>\$103,776</u>

Long-term liabilities other than debt typically have been liquidated in the General Fund and Sewer Utility Fund.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 11 - LONG-TERM DEBT OBLIGATIONS (Continued):

Long-term debt is comprised of the following:

Governmental
Activities

General Obligation Bonds

The City has issued several general obligation serial bonds to provide for the costs of the City's various public infrastructure and capital improvement programs. General obligation bonds at April 30, 2010, consist of the following:

\$3,595,000 City of Kankakee serial bonds dated December 1, 2001, due in annual installments on January 1, of amounts ranging from \$80,000 to \$365,000 through January 2015, plus interest ranging from 2.1% to 4.5%, payable semiannually.	\$1,610,000
\$3,960,000 City of Kankakee serial bonds dated June 1, 2003, due in annual installments on January 1, of amounts ranging from \$35,000 to \$1,240,000, through January 2014, plus interest ranging from 2.25% to 5.25%, payable semiannually.	3,265,000
\$4,860,000 City of Kankakee serial bonds dated June 1, 2003, due in annual installments on January 1, of amounts ranging from \$250,000 to \$490,000, through January 2019, plus interest ranging from 2.25% to 5.25%, payable semiannually.	3,505,000
\$9,600,000 City of Kankakee serial bonds dated April 1, 2004, due in annual installments on January 1, of amounts ranging from \$130,000 to \$1,820,000, through January 2020, plus interest ranging from 2.0% to 4.0%, payable semiannually.	7,105,000
\$9,160,000 City of Kankakee serial bonds dated February 1, 2005, due in annual installments on January 1 of amounts ranging from \$115,000 to \$815,000, through January 2024 plus interest ranging from 3.0% to 4.35%, payable semiannually.	7,890,000

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 11 - LONG-TERM DEBT OBLIGATIONS (Continued):

	<u>Governmental Activities</u>
\$9,555,000 City of Kankakee serial bonds dated September 15, 2006, due in annual installments on January 1 of amounts ranging from \$40,000 to \$1,125,000, through January 2025, plus interest ranging from 3.50% to 5.25%, payable semiannually.	\$8,900,000
\$5,405,000 City of Kankakee serial bonds dated August 2, 2007, due in annual installments on January 1 of amounts ranging from \$110,000 to \$700,000, through January 2027, plus interest ranging from 4.0% to 5.0%, payable semiannually.	5,035,000
\$1,422,327 City of Kankakee serial bonds dated August 2, 2007, due in annual installments on January 1 of amounts ranging from \$267,496 to \$402,672, through January 2018, plus interest ranging from 4.25% to 4.36%, payable annually.	1,422,327
\$6,930,000 City of Kankakee serial bonds dated June 1, 2008, due in annual installments on January 1 of amounts ranging from \$315,000 to \$1,075,000, through January 2024, plus interest ranging from 3.45% to 5.25% payable semiannually.	6,930,000
\$10,180,000 City of Kankakee serial bonds dated April 15, 2009, due in annual installments on January 1 of amounts ranging from \$80,000 to \$1,025,000 through January 2029, plus interest ranging from 2.30% to 5.00% payable semiannually.	10,180,000
\$14,905,000 City of Kankakee serial bonds dated April 15, 2009 due in annual installments on January 1 of amounts ranging from \$35,000 to \$2,275,000 through January 2025, plus interest ranging from 3.00% to 5.00% payable semiannually.	<u>13,070,000</u>
Total general obligation bonds	68,912,327
Add: Unamortized premium on bond issuance and deferred loss on early retirement of bonds, net	<u>493,899</u>
Total bonds payable	<u>\$69,406,226</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 11 - LONG-TERM DEBT OBLIGATIONS (Continued):

The annual requirements to amortize all short and long-term general obligation bonds outstanding at April 30, 2010, are as follows:

<u>Year Ending</u> <u>April 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 4,285,000	\$ 2,788,055	\$ 7,073,055
2012	4,530,000	2,646,703	7,176,703
2013	4,655,000	2,493,092	7,148,092
2014	4,960,000	2,304,388	7,264,388
2015	5,047,671	2,242,263	7,289,934
2016 - 2020	24,579,656	8,157,082	32,736,738
2021 - 2025	16,010,000	3,212,859	19,222,859
2026 - 2029	<u>4,845,000</u>	<u>485,877</u>	<u>5,330,877</u>
	<u>\$68,912,327</u>	<u>\$24,330,319</u>	<u>\$93,242,646</u>

Installment Notes

	<u>Governmental</u> <u>Activities</u>
Non-interest bearing \$200,000 loan dated February 22, 2005, from the Illinois Finance Authority for the purchase of a fire truck, payable in twenty annual installments of \$10,000, commencing on November 1, 2005 through November 1, 2024.	\$ 150,000
\$2,876,532 general obligation bank note, dated January 30, 2008, secured by the full faith, credit and resources of the City, payable in 10 annual installments of \$352,500, including interest at 4.14%, through January 1, 2018.	2,516,333
\$500,000 Department of Housing and Urban Development Community Development Block Grant (CDBG) Section 108 loan dated February 27, 2008, secured by current and future CDBG funding allocations. The loan is payable in a one time payment of \$500,000 on December 2017, plus interest paid quarterly at a rate 20 basis points above the London InterBank Offered Rate (LIBOR) on the first date of each February, May, August and November.	<u>500,000</u>
Total installment notes	<u>\$3,166,333</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 11 - LONG-TERM DEBT OBLIGATIONS (Continued):

The annual requirements to amortize all long-term installment loans outstanding at April 30, 2010, are as follows:

<u>Year Ending</u> <u>April 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 281,732	\$106,677	\$ 388,410
2012	292,984	95,427	388,410
2013	304,698	83,712	388,410
2014	316,899	71,511	388,410
2015	329,604	58,806	388,410
2016 - 2020	1,590,416	92,938	1,683,354
2021 - 2025	<u>50,000</u>		<u>50,000</u>
	<u>\$3,166,333</u>	<u>\$509,071</u>	<u>\$3,675,404</u>

Capital Lease Obligation

The City has entered into a lease agreement as lessee for financing the acquisition of the library building. This lease agreement qualifies as capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments in the appropriate capital asset accounts. The following is a schedule of capital lease obligations and the minimum lease payments:

	<u>Component Unit -</u> <u>Library</u>
\$7,758,882 lease, plus interest of \$2,628,206, due in monthly installments of \$21,185, including interest, through October 2028. Payable from Kankakee Public Library Fund, a component unit.	<u>\$3,055,923</u>

The following is an analysis of the assets recorded under capital leases at April 30, 2010:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Book</u> <u>Value</u>
Component Units - Library:			
Buildings	<u>\$7,758,883</u>	<u>\$1,152,110</u>	<u>\$6,606,773</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 11 - LONG-TERM DEBT OBLIGATIONS (Continued):

Future minimum lease payments for all capital lease obligations:

<u>Year Ending</u> <u>April 30,</u>	<u>Component Unit -</u> <u>Library</u>
2011	\$ 254,215
2012	254,215
2013	254,215
2014	254,215
2015	254,215
2016 - 2020	1,271,076
2021 - 2025	1,271,076
2026 - 2029	<u>868,569</u>
Total minimum lease payments	4,681,796
Less: amount representing interest	(1,625,873)
Present value of minimum lease payments	<u>\$3,055,923</u>

Unfunded Employer Pension Contributions

Cumulative difference between the annual pension cost and the contributions funded for the Police Pension Fund	\$ 4,726,086
Cumulative difference between the annual pension cost and the contributions funded for the Firefighters' Pension Fund	<u>6,933,707</u>
Total unfunded employer pension contributions due from General Fund	<u>\$11,659,793</u>

Compensated Absences

	<u>Governmental</u> <u>Activities</u>	<u>Business -</u> <u>type</u> <u>Activities</u>
Vested portion of the vacation and sick leave and other employee benefits which are expected to be paid from the governmental funds and enterprise funds	<u>\$4,680,000</u>	<u>\$503,000</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 11 - LONG-TERM DEBT OBLIGATIONS (Continued):

Net Other Post Employment Benefits

	<u>Governmental Activities</u>	<u>Business - type Activities</u>
Cumulative difference between the actuarially determined annual other post employment benefit cost and contributions made for the governmental funds and enterprise funds	<u>\$129,555</u>	<u>\$52,639</u>

Revenue Bonds

Details of the revenue bond indebtedness of the City's Sewer Utility Fund at April 30, 2010, are as follows:

\$4,270,000 Sewer Utility serial bonds dated December 1, 2001, due in annual installments on May 1, of amounts ranging from \$145,000 to \$295,000 through May 1, 2022, plus interest at rates ranging from 2.45% to 5.00%, payable semiannually.	\$2,795,000
\$4,000,000 Sewer Utility serial bonds dated December 1, 2009, due in annual installments on May 1, of amounts ranging from \$220,000 to \$385,000 through May 1, 2024, plus interest at rates ranging from 2.00% to 5.80%, payable semiannually.	<u>4,000,000</u>
Total revenue bonds	6,795,000
Less: Unamortized discount on bond issuance	<u>(12,945)</u>
Total bonds payable	<u>\$6,782,055</u>

Debt service on the above revenue bonds payable at April 30, 2010, are as follows:

<u>Year Ending April 30,</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 400,000	\$ 391,598	\$ 791,598
2012	415,000	302,823	717,823
2013	425,000	289,217	714,217
2014	445,000	273,376	718,376
2015	465,000	255,852	720,852
2016 - 2020	2,645,000	947,566	3,592,566
2021 - 2025	<u>2,000,000</u>	<u>250,843</u>	<u>2,250,843</u>
	<u>\$6,795,000</u>	<u>\$2,711,275</u>	<u>\$9,506,275</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 11 - LONG-TERM DEBT OBLIGATIONS (Continued):

Revenue bond ordinances of the Sewer Utility Fund require that certain reserve accounts be maintained at designated minimum dollar amounts or that specific monthly transfers be made to such accounts. At April 30, 2010, the amounts restricted for such accounts in the Sewer Utility Fund are as follows:

Operation and maintenance	\$ 634,346
Bond reserve	791,598
Reserve and replacement	500,000
Bond and interest	<u>103,433</u>
	<u>\$2,029,377</u>

Activity in the reserve accounts during the year ended April 30, 2010 was as follows:

Sewer Utility Fund:	
Restricted balance as of May 1, 2009	\$1,674,984
Transfer required by ordinance	749,181
Revenue bond principal	(180,000)
Revenue bond interest	<u>(214,788)</u>
Restricted balance as of April 30, 2010	<u>\$2,029,377</u>

The reserve account balances are represented in the Sewer Utility Fund as restricted cash and investments. At April 30, 2010 the above amounts were sufficient to meet the minimum balance or reserve account transfer requirements of the revenue bond ordinances.

The Utility covenants in the bond ordinance to establish, maintain and collect at all times fees, charges and rates for the use and service of the system, sufficient at all times to pay operating and maintenance costs, to pay the principal of and interest on all outstanding revenue bonds of the City which by their terms are payable solely from the revenues, to provide net revenues in each fiscal year in the amount of not less than 120 percent of the current debt service requirement for all outstanding bonds for such fiscal year, and to the extent necessary after the application of the net revenues available pursuant to the rate covenant described in this paragraph, such additional amounts as may be required to provide an adequate depreciation fund, and to provide for the creation and maintenance of the respective reserve accounts described above. "Current Debt Service Requirement" as used in this paragraph means the amount required to be credited under the bond ordinance to the bond and interest account in a given fiscal year. "Revenues" as defined in the bond ordinance and as used in the covenant calculation does not include proceeds from the sale of capacity. During the year ended April 30, 2010, the Utility did comply with this rate covenant. The covenant calculation is included on page 116.

Required Bond Indenture Disclosures

Insurance Coverage - The plant, buildings and contents of the Kankakee Municipal Utility were insured at April 30, 2010 for \$7,681,264 under the City of Kankakee master policy with the U.S. Specialty Insurance Company. The Kankakee Municipal Utility is also included on the master umbrella liability policy for the City of Kankakee, Illinois, with the U.S. Specialty Insurance Company. The master policy includes the following significant coverages:

	<u>Policy limits</u>
Property damage	\$ 29,339,726
General liability	3,000,000
Auto liability	1,000,000
Excess liability	6,000,000

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

Customer and Flow Information - Most of the customers have a water meter; the number of unmetered customers is negligible. As of April 30, 2010 there were 7,947 customers providing sewer charge revenue as follows:

	<u>Number of Customers</u>	<u>Sewer Charges</u>
Residential and commercial	7,907	\$3,221,535
Industrial and institutional	<u>40</u>	<u>4,729,383</u>
Total	<u>7,947</u>	<u>\$7,950,918</u>

User Rates - The rates in effect at April 30, 2010 were as follows:

Flow charge (100 cu. ft.)	\$ 3.25
BOD surcharge (lb.)	.40
SS surcharge (lb.)	.40
FOG surcharge (lb.)	.35
GW contaminated (100 cu. ft.)	8.00
Fixed charge (month)	25.00
IPP charges	3%

Outstanding Bond Issues - 2001 bonds due May 1, 2005 to 2011 are noncallable in advance of maturity. 2001 bonds due May 1, 2012 to 2022 are callable on any date on or after May 1, 2011. 2009 bonds due May 1, 2011 to 2019 are noncallable in advance of maturity. 2009 bonds due May 1, 2020 to 2024 are callable on or after May 1, 2019.

NOTE 12 - PROPERTY TAXES:

Property taxes are levied each year on all taxable real property located in the City. The City must file its tax levy ordinance by the last Tuesday of December of each year. The owner of real property on January 1 (lien date) in any year is liable for taxes of that year. Property taxes are collected by the Kankakee County Collector who remits to the City its share of the collection. Taxes levied for calendar year 2008 were due, payable, and collected in two installments in June and September 2009.

Revenue for property taxes is recognized in the governmental funds in the year for which the taxes are intended to finance and the funds are available. The City considers property tax revenue to be available if it is collected during the current year or within 60 days after year end. Property taxes levied for calendar year 2008 are intended to finance the fiscal year 2010 expenditures. Accordingly, the City recognized revenue during the year ended April 30, 2010 for collections from the calendar year 2008 levy if it was received by June 30, 2010. Property taxes levied for calendar year 2009, which will be collected in fiscal year 2011, are recorded as receivables and deferred revenue as of April 30, 2010. The City and its component units have not deferred property taxes receivable based on the availability criteria at April 30, 2010. The 2010 tax levy, which attaches as an enforceable lien on property as of January 1, 2010, has not been recorded as a receivable as of April 30, 2010, as the tax has not yet been levied by the City and will not be levied until December 2010, and therefore, the levy is not measurable at April 30, 2010.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 13 - INTERFUND TRANSFERS:

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>		
	<u>General Fund</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
General Fund		\$ 206,777	\$ 206,777
Capital Projects Fund		60,000	60,000
Sewer Utility Fund	\$1,167,833	289,513	1,457,346
Nonmajor Governmental Funds	<u>1,048,729</u>	<u>1,592,730</u>	<u>2,641,459</u>
	<u>\$2,216,562</u>	<u>\$2,149,020</u>	<u>\$4,365,582</u>

The following paragraphs provide information concerning the various interfund transfers for the year ended April 30, 2010:

The General Fund transferred \$57,931 to the Debt Service Fund to provide for bond and interest retirement.

The General Fund transferred \$132,290 to the Illinois Municipal Retirement Fund and \$16,556 to the Park Fund to cover their fund deficits.

The Capital Projects Fund transferred \$60,000 to the Motor Fuel Tax Fund to provide for the City's share of the local contribution towards the Riverfront Trail project.

The Sewer Utility Fund transferred \$116,000 to the General Fund as payment in lieu of taxes.

The Sewer Utility Fund transferred \$1,051,833 to the General Fund to provide for payments in arrears to the Debt Service Fund for 1992A General Obligation Bond, provided for by the General Fund.

The Sewer Utility Fund transferred \$289,513 to the Debt Service Fund to provide for bond and interest retirement.

The following Tax Increment Financing Districts transferred funds to the Debt Service Fund to provide for bond and interest retirement:

Tax Increment Financing District No. 1	\$471,575
Tax Increment Financing District No. 5	127,660
Tax Increment Financing District No. 6	235,163
Tax Increment Financing District No. 7	31,978
Tax Increment Financing District No. 8	674,988

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 13 - INTERFUND TRANSFERS (Continued):

The following Tax Increment Financing Districts transferred funds to the General Fund to provide for the public safety costs incurred on behalf of the District:

Tax Increment Financing District No. 1	\$175,000
Tax Increment Financing District No. 2	251,162
Tax Increment Financing District No. 3	227,235
Tax Increment Financing District No. 4	395,332

The General Obligation Bonds, Series 2009 Bond Fund transferred \$51,366 to the General Obligation Bonds, Series 2003A Bond Fund to provide for bond and interest retirement.

NOTE 14 - DEFERRED REVENUE:

The balance in the deferred revenues at April 30, 2010, is composed of the following elements:

	<u>Unavailable</u>	<u>Unearned</u>
Governmental Funds:		
General Fund:		
Property taxes receivable		\$ 5,358,797
Unexpended grant receipts		103,949
Advance collection of licenses and fees		132,320
Nonmajor Governmental Funds:		
Property taxes receivable		9,278,514
Loans receivable net of allowance for uncollectible amounts	\$837,318	
Total governmental funds	<u>\$837,318</u>	<u>\$14,873,580</u>
Component Units:		
Library Fund:		
Property taxes receivable		\$1,600,000
Unexpended grant receipts		17,550
Special Service Area # 1:		
Property taxes receivable		<u>122,000</u>
Total component units		<u>\$1,739,550</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 15 - RELATED PARTY TRANSACTIONS:

The following describes transactions between the City and its component units for the year ended April 30, 2010:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Purpose</u>
Capital Projects Fund	Special Service Area #1	\$143,911	To provide for various repairs and improvements.

NOTE 16 - SEGMENT INFORMATION:

Sewer Utility - Accounts for the operation of the City sewer systems. The City issues revenue bonds to support its utility activities. The fund financial statements report the Sewer Utility as a major fund. All segment report requirements are included in the fund financial statements.

NOTE 17 - FEDERAL PROGRAM AUDITS:

The City participates in a number of federally assisted grant programs, principal of which are the Community Development Block Grant, HOME Grants, Lead-based Paint Hazard Control Program and various other public safety grant programs. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of April 30, 2010, significant amounts of grant expenditures have not been audited by the grantors, but the City believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

NOTE 18 - COMMITMENTS:

Lease Commitments

In July 1988, the City leased the Kankakee Dam for 60 years from the Illinois Department of Conservation for the purpose of constructing, operating and maintaining the Hydroelectric Plant. The annual lease payment is based on the number of kilowatt hours of electricity produced by the Hydroelectric Plant plus \$1,200 each year. The annual lease payment for the year ended April 30, 2010 was \$3,867.

Kankakee Municipal Utility entered into a lease agreement with Space Center Chicago, Inc. on October 5, 2001 to lease 34,922 square feet of office and warehouse space. The lease was scheduled to commence on December 15, 2001 and continue for a period of 240 months. The actual commencement date was April 2002. Rent consists of a base amount plus additional rent composed of operating expenses, amortization of tenant improvements and Common Area Maintenance charges. Rent expense for the year ended April 30, 2010 was \$236,234.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 18 - COMMITMENTS (Continued):

Kankakee Municipal Utility entered into a lease agreement with the Village of Manteno on February 20, 2006, to provide the means and use of the City's ability to transport and treat wastewater generated by the Village of Manteno and provide for the compensation by Manteno for the rights to utilize the collection and treatment capacity owned by Kankakee. The Village of Manteno will lease the transport and treatment capacity of 1,000,000 gallons per day, (365,000,000 gallons annually) from the City for a period of 20 years for a sum of \$150,000 per year. The annual lease payment received for the year ended April 30, 2010 was \$150,000.

Kankakee Municipal Utility entered into an intergovernmental agreement with the Village of Chebanse on April 5, 2004, to provide sanitary sewer service for the residents of Chebanse. Under this agreement, Chebanse would construct sanitary sewer facilities including service lines, pump stations and the force main line in accordance with IEPA standard policies, procedures and ordinances. At the completion of this construction, the force main will be connected to the City's sewer system. A letter was received from Chebanse on November 12, 2007, officially requesting permission to discharge the Village's waste into the City's sewer system. The utility designed and installed a meter to measure flow upon which billing is based. For the year ended April 30, 2010, the Kankakee Municipal Utility received \$81,952 based upon the number of connections established for the residents of Chebanse.

Construction Commitments

The City has several active construction projects as of April 30, 2010. These projects and the City's commitment with contractors at April 30, 2010 are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Governmental activities:		
Riverfront Trail	\$ 179,416	\$ 80,000
Indiana Avenue parking lot	358,686	43,902
Ornamental lighting	<u>127,645</u>	<u>302,207</u>
	\$ <u>665,747</u>	\$ <u>423,065</u>
Business-type activities:		
Hydroelectric project	\$ 816,205	\$ 3,945
Chebanse meters project	<u>58,554</u>	<u>120,610</u>
	\$ <u>1,045,018</u>	\$ <u>124,555</u>

NOTE 19 - EXPENDITURES AND APPROPRIATIONS:

Excess of expenditures over appropriations in individual funds for the year ended April 30, 2010 were as follows:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
Park Fund	\$ 52,116	\$ 35,000	\$ 17,116
Illinois Municipal Retirement Fund	732,471	630,000	102,471

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 20 - INVESTMENT IN JOINT VENTURE:

Kankakee River Metropolitan Agency

Effective May 1, 1996, pursuant to a Municipal Joint Sewage Treatment Agency Intergovernmental Agreement, the City of Kankakee and the villages of Aroma Park, Bourbonnais, and Bradley agreed to the establishment of an independent agency with authority to operate the Regional Wastewater Treatment Facility (RWTF), raise revenue and exercise other powers as necessary. The independent agency created is the Kankakee River Metropolitan Agency (KRMA). The agreement requires a seven member board comprised of four persons appointed by the Mayor of the City of Kankakee and one person appointed by the Mayor of each village. A majority of five affirmative votes is required to modify this agreement, modify the methodology or the amount of user charges, approve bond issues or any appropriation in excess of \$50,000 or to change the membership of the Agency. On April 22, 1999, KRMA acquired ownership of the RWTF.

As of April 30, 2010, the City has recorded in the Sewer Utility Fund an investment in the joint venture of \$69,922 relative to its investment in KRMA.

Financial statements of KRMA can be obtained from the City's accounting department. Pertinent financial information for the joint venture as of April 30, 2010 is as follows:

Statement of net assets:	
Current assets	\$ 572,981
Restricted assets and bond issuance costs	750,920
Capital assets, net	<u>21,264,289</u>
Total assets	<u>22,588,190</u>
Current liabilities	3,446,708
Long-term liabilities	<u>19,360,152</u>
Total liabilities	<u>22,806,860</u>
Total net assets	\$ <u>(218,670)</u>
Statement of revenues, expenses and changes in net assets:	
Operating revenues	\$ 5,467,871
Operating expenses	(5,173,594)
Other income (expense), net	<u>(891,306)</u>
Change in net assets	(597,029)
Ownership percentage	<u>55.03%</u>
Utility's share of net income (equity interest in joint venture income)	\$ <u>(328,549)</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 20 - INVESTMENT IN JOINT VENTURE (Continued):

Wi-Fi Kankakee, LLC

Effective May 15, 2006, pursuant to a joint operating agreement, the City and *Kankakee Daily Journal* (KDJ), a local newspaper company, formed a limited liability company named Wi-Fi Kankakee, LLC (Wi-Fi), with an equal ownership of 50 percentages each for the City and KDJ. The purpose of Wi-Fi is to design, acquire, establish, install, operate, maintain and own a system by which authorized individual users (residents, businesses, visitors) may obtain and use, within the boundaries of the City, wireless access to the internet. The agreement requires each item of Wi-Fi's income, gain, loss, deduction and credit be allocated equally to the City and KDJ.

As of April 30, 2010, the City has recorded in the Sewer Utility Fund an investment in joint venture of \$4,917, relative to its investment in Wi-Fi.

Audited financial statements of Wi-Fi are not available. At April 30, 2010, the City has recorded in the Sewer Utility Fund an equity interest in joint venture income (loss) of Wi-Fi in the amount of \$(2,290).

NOTE 21 - RISK MANAGEMENT AND LITIGATION:

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City utilizes conventional outside insurance to cover its exposure to such liabilities and worker's compensation claims with standard retention levels. In addition, a safety committee works at prevention activities to keep risk exposure at a minimum level through employee education and monitoring of risk control activities. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. For insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The City Attorney estimates that the amount of actual or potential claims against the City as of April 30, 2010 will not materially affect the financial condition of the City or any of the individual funds. Therefore, the General Fund contains no provision for estimated claims.

NOTE 22 - SALES TAX INCENTIVES:

The City has entered into various sales tax sharing agreements with several retail firms to generate additional revenue for the General Fund. These tax sharing programs are based on the retail firm's willingness to site a purchasing and/or a sales approval office within the boundaries of the City. These agreements provide for rebating a portion of the sales taxes generated on the transactions of the partnering firm conducted within the City. During the fiscal year ended April 30, 2010, \$15,210,630 in sales taxes was rebated under these agreements. At April 30, 2010, the City owed \$4,864,384 in sales tax incentives to various firms which are reflected in accounts payable in the General Fund.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 24 - DEFICIT FUND BALANCE:

At April 30, 2010, the following funds had a deficit fund balance. This deficit is not in violation of any state law.

Tax Increment Financing District No. 1 Fund	\$410,656
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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the year ended April 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 36,155,279	\$ 36,155,279	\$ 31,793,521	\$ (4,361,758)
Licenses, permits and fees	1,294,400	1,294,400	1,228,945	(65,455)
Charges for services	1,187,556	1,187,556	820,173	(367,383)
Fines and penalties	553,000	553,000	410,583	(142,417)
Intergovernmental	530,348	530,348	618,443	88,095
Interest	50,000	50,000	2,931	(47,069)
Miscellaneous	398,450	398,450	414,742	16,292
Total revenues	<u>40,169,033</u>	<u>40,169,033</u>	<u>35,289,338</u>	<u>(4,879,695)</u>
Expenditures:				
Current:				
General government	5,203,356	5,203,356	5,862,509	659,153
Public safety	14,636,939	14,636,939	15,156,661	519,722
Public works	2,414,143	2,414,143	2,270,436	(143,707)
Community development	5,000	5,000	4,536	(464)
Economic development	18,723,718	18,723,718	15,210,630	(3,513,088)
Debt Service:				
Principal retirement	10,000	10,000	10,000	-0-
Total expenditures	<u>40,993,156</u>	<u>40,993,156</u>	<u>38,514,772</u>	<u>(2,478,384)</u>
Excess (deficiency) of revenues over expenditures	<u>(824,123)</u>	<u>(824,123)</u>	<u>(3,225,434)</u>	<u>(2,401,311)</u>
Other financing sources (uses):				
Transfers:				
From other funds	826,253	826,253	2,216,562	1,390,309
To other funds	(2,130)	(2,130)	(206,777)	(204,647)
Total other financing sources (uses)	<u>824,123</u>	<u>824,123</u>	<u>2,009,785</u>	<u>1,185,662</u>
Net change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>(1,215,649)</u>	<u>\$ (1,215,649)</u>
Fund balance, May 1, 2009			<u>2,204,962</u>	
Fund balance, April 30, 2010			<u>\$ 989,313</u>	

CITY OF KANKAKEE, ILLINOIS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY COMPARISON SCHEDULE
April 30, 2010

NOTE 1 - BUDGETARY ACCOUNTING:

The City adopts annual budgets for the General Fund, Band Fund, Park Fund, Illinois Municipal Retirement Fund, Special Service Area No. 2 and Special Service Area No. 3. For Community Development Agency, Senior Aides, Motor Fuel Tax, and Tax Increment Financing District funds, legally authorized non-appropriated budgets are utilized to control expenditures on a project (or designated purpose) basis and are carried forward each year until the project is completed or the grant award has been expended. No legally adopted budgets are prepared for capital projects funds and debt service funds. Expenditures for capital project funds are controlled on a project basis. Expenditures for debt service funds are controlled through general obligation bonds' indenture provisions. Budgets for enterprise funds serve as a spending guide for the City and do not constitute legally binding limitations.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the City Council's budget committee submits to the City Council a proposed operating budget for the fiscal year which had commenced May 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to August 1, the budget is legally enacted through passage of the annual appropriation ordinance. This ordinance places legal restrictions on expenditures at the department level for the General Fund and at the fund level for the Special Revenue Funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.
4. Revenues are budgeted by source. Although legal restrictions on expenditures are established at the department level for the General Fund and at the fund level for Special Revenue Funds, effective administrative control over expenditures is maintained through the establishment of more detailed line-item budgets such as personal services, materials and supplies, capital outlay, contractual and debt service. Expenditures are budgeted by fund and department and classified by function, activity and/or program. Management may transfer budgeted amounts between line items within a department in the General Fund and within a fund in the Special Revenue Funds without the approval of the City Council.
5. All budgets are adopted on a modified accrual basis. Unencumbered and unexpended appropriations lapse at fiscal year end.

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
ILLINOIS MUNICIPAL RETIREMENT FUND
April 30, 2010

Actuarial Valuation Date December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ---Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2009	\$ 14,047,445	\$ 17,989,344	\$ 3,941,899	78.09%	\$ 5,695,408	69.21%
2008	14,024,803	17,070,490	3,045,687	82.16%	5,655,415	53.85%
2007	16,700,977	16,228,325	(472,652)	102.91%	5,448,065	(8.68%)
2006	15,930,997	16,047,139	116,142	99.28%	5,300,924	2.19%
2005	15,029,323	14,644,035	(385,288)	102.63%	5,175,035	(7.45%)
2004	13,670,956	13,269,673	(401,283)	103.02%	5,070,450	(7.91%)
2003	14,944,651	13,991,022	(953,629)	106.82%	5,311,719	(17.95%)
2002	14,741,685	12,766,158	(1,975,527)	115.47%	5,356,081	(36.88%)
2001	15,930,360	12,132,670	(3,797,690)	131.30%	5,440,324	(69.81%)
2000	15,265,055	11,279,991	(3,985,064)	135.33%	5,164,986	(77.16%)

On a market value basis, the actuarial value of assets as of December 31, 2009 is \$13,568,074. On a market basis, the funded ratio would be 75.42%.

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
POLICE PENSION FUND
April 30, 2010

Actuarial Valuation Date April 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ---Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (((b-a) / c)
2009	\$ 11,900,298	\$ 35,675,410	\$ 23,775,112	33.36%	\$ 4,783,798	496.99%
2008	12,940,099	33,676,363	20,736,264	38.42%	4,367,019	474.84%
2007	12,567,316	31,376,263	18,808,947	40.05%	4,189,099	449.00%
2006	11,760,602	30,146,624	18,386,022	39.01%	4,088,956	449.65%
2005	11,178,721	27,683,110	16,504,389	40.38%	3,689,544	447.33%
2004	10,839,066	26,207,141	15,368,075	41.36%	3,697,174	415.67%
2003	10,140,012	24,391,727	14,251,715	41.57%	3,372,609	422.57%
2002	10,452,757	23,056,893	12,604,136	45.33%	3,395,319	371.22%
2001	11,191,083	21,482,299	10,291,216	52.09%	3,195,355	322.07%
2000	12,558,886	19,982,474	7,423,588	62.85%	2,914,227	254.74%

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
FIREFIGHTERS' PENSION FUND
April 30, 2010

Actuarial Valuation Date April 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ---Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2009	\$ 7,716,547	\$ 34,495,541	\$ 26,778,994	22.37%	\$ 3,666,627	730.34%
2008	10,207,462	31,736,197	21,528,735	32.16%	2,973,182	724.10%
2007	10,578,956	30,541,100	19,962,144	34.64%	3,008,348	663.56%
2006	10,236,367	29,094,938	18,858,571	35.18%	2,866,921	657.80%
2005	10,147,331	27,661,230	17,513,899	36.68%	2,673,932	654.99%
2004	10,431,881	26,119,708	15,687,827	39.94%	2,427,257	646.32%
2003	10,052,187	26,192,190	16,140,003	38.38%	2,352,187	686.17%
2002	10,819,597	25,431,162	14,611,565	42.54%	2,299,154	635.52%
2001	11,450,544	24,296,512	12,845,968	47.13%	2,213,379	580.38%
2000	12,211,206	23,353,668	11,142,462	52.29%	2,244,729	496.38%

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFIT PLAN
April 30, 2010

Actuarial Valuation Date April 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry-Age Normal (b)	Funded Ratio (a/b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Active Members' Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2010	\$ -0-	\$ 3,220,549	0.00%	\$ 3,220,549	\$ 12,990,200	24.79%
2009	-0-	3,220,549	0.00%	3,220,549	11,734,420	27.45%

The City implemented GASB Statement No. 45 for the fiscal year ended April 30, 2009. Information for prior years is not available.

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE PENSION FUND
April 30, 2010

<u>Year Ended April 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2010	\$ 1,417,545	\$ 1,417,545	100.00%
2009	1,283,420	1,283,420	100.00%
2008	1,234,017	1,234,017	100.00%
2007	1,104,725	1,104,725	100.00%
2006	1,035,423	1,035,423	100.00%
2005	954,929	954,259	99.93%
2004	856,688	856,688	100.00%
2003	701,806	701,806	100.00%
2002	536,964	536,964	100.00%
2001	540,496	538,428	99.62%

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FIREFIGHTERS' PENSION FUND
April 30, 2010

<u>Year Ended April 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2010	\$ 1,518,183	\$ 1,518,183	100.00%
2009	1,400,985	1,400,985	100.00%
2008	1,303,662	1,303,662	100.00%
2007	1,222,675	1,222,675	100.00%
2006	1,082,677	1,082,677	100.00%
2005	1,085,807	1,090,926	100.47%
2004	984,722	984,722	100.00%
2003	874,715	887,458	101.46%
2002	768,601	769,597	100.13%
2001	763,870	763,606	99.97%

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POST-EMPLOYMENT BENEFIT PLAN
April 30, 2010

<u>Year Ended April 30,</u>	<u>Annual Required Contribution (ARC)</u>	<u>Employer Contributions</u>	<u>Percentage Contributed</u>
2010	\$ 202,103	\$ 112,792	55.81%
2009	204,545	112,792	55.14%

The City implemented GASB Statement No. 45 for the fiscal year ended April 30, 2009.
Information for prior years is not available.

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**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

**CITY OF KANKAKEE, ILLINOIS
MAJOR FUNDS**

General Fund

Accounts for all financial resources traditionally associated with governments which are not required to be accounted for in another fund.

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CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES AND COMPARISON TO BUDGET
GENERAL FUND
For the year ended April 30, 2010
(With comparative totals for 2009)

	Budgeted Amounts		2010	2009
	Original	Final	Actual	Actual
Taxes:				
Property taxes	\$ 3,950,762	\$ 3,950,762	\$ 4,176,648	\$ 4,021,918
State income tax	2,487,936	2,487,936	2,183,439	2,504,837
Local use tax	370,000	370,000	326,948	390,228
State replacement income tax	700,000	700,000	617,091	741,325
Illinois sales tax	24,811,581	24,811,581	21,098,621	24,419,114
Utility taxes	3,835,000	3,835,000	3,390,774	3,359,780
Total taxes	36,155,279	36,155,279	31,793,521	35,437,202
Licenses, permits and fees:				
Business licenses	115,000	115,000	126,575	115,838
Other licenses	60,000	60,000	58,268	59,284
Franchise fees	300,000	300,000	273,372	256,802
Ambulance fees	500,000	500,000	533,675	472,655
Other permits and fees	319,400	319,400	237,055	217,644
Total licenses, permits and fees	1,294,400	1,294,400	1,228,945	1,122,223
Charges for services:				
Kankakee Municipal Utility	253,000	253,000	72,790	71,150
Department of Public Works	750,500	750,500	570,860	373,013
Community Development Agency	89,000	89,000	142,000	142,000
Fire Department	73,056	73,056	14,393	63,456
Police Department	22,000	22,000	20,130	42,295
Total charges for services	1,187,556	1,187,556	820,173	691,914
Fines and penalties	553,000	553,000	410,583	449,781
Intergovernmental:				
Kankakee River Metropolitan Agency	50,000	50,000	50,000	50,000
Grants from various governmental agencies	480,348	480,348	568,443	393,274
Total intergovernmental	530,348	530,348	618,443	443,274
Interest	50,000	50,000	2,931	33,403
Miscellaneous revenues	398,450	398,450	414,742	225,937
Total revenues	\$ 40,169,033	\$ 40,169,033	\$ 35,289,338	\$ 38,403,734

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EXPENDITURES AND COMPARISON TO BUDGET
GENERAL FUND
For the year ended April 30, 2010
(With comparative totals for 2009)

	Budgeted Amounts		2010 Actual	2009 Actual
	Original	Final		
General city government:				
Council	\$ 146,071	\$ 146,071	\$ 140,026	\$ 115,416
Mayor	74,120	74,120	113,289	87,226
Commissions and boards	52,200	52,200	41,029	44,275
City clerk	145,180	145,180	125,606	122,366
Central services	448,200	448,200	330,233	302,536
Collection	58,800	58,800	57,904	56,641
Computer operations	20,150	20,150	32,891	83,662
Corporate counsel	179,800	179,800	248,107	201,960
Adjudication	156,000	156,000	107,566	149,778
City planning	45,200	45,200	26,077	27,360
Public buildings and grounds	134,975	134,975	5,339	1,842
Community promotion	62,300	62,300	102,421	141,927
Human relations	95,425	95,425	97,014	138,057
Group insurance	1,754,355	1,754,355	1,794,647	1,651,782
Liability and workers compensation insurance	1,634,880	1,634,880	1,666,519	1,740,315
Unemployment tax	20,000	20,000	27,192	31,221
Transportation support	71,000	71,000	76,187	73,194
Other	104,700	104,700	870,462	899,115
Total general city government	5,203,356	5,203,356	5,862,509	5,868,673
Public safety - police department:				
Administration and operations	5,501,548	5,501,548	6,089,424	5,896,965
Training	33,300	33,300	43,998	52,886
Records	397,428	397,428	382,878	267,793
Communications	687,143	687,143	681,527	678,255
Detention and custody	49,500	49,500	76,556	62,891
Pension contribution	1,417,546	1,417,546	1,417,546	1,283,420
Total public safety - police department	8,086,465	8,086,465	8,691,929	8,242,210
Public safety - fire department:				
Administration	657,549	657,549	728,170	742,074
Training	109,044	109,044	97,490	97,035
Alarm and communications system	22,700	22,700	12,000	40,589
Fire prevention	270,297	270,297	254,571	264,631
Fire fighting force	2,162,364	2,162,364	2,130,524	2,234,567
Emergency service	1,088,674	1,088,674	1,005,425	981,903
Pension contribution	1,518,182	1,518,182	1,518,182	1,400,984
Total public safety - fire department	5,828,810	5,828,810	5,746,362	5,761,783

(Continued)

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EXPENDITURES AND COMPARISON TO BUDGET
GENERAL FUND
(Continued)
For the year ended April 30, 2010
(With comparative totals for 2009)

	Budgeted Amounts		2010 Actual	2009 Actual
	Original	Final		
Public safety - code enforcement:				
Property maintenance	\$ 553,359	\$ 553,359	\$ 553,756	\$ 607,699
Building safety	144,305	144,305	131,579	125,213
Total public safety - code enforcement	<u>697,664</u>	<u>697,664</u>	<u>685,335</u>	<u>732,912</u>
Public safety:				
Animal control	<u>24,000</u>	<u>24,000</u>	<u>33,035</u>	<u>25,425</u>
Public works:				
Administration	195,479	195,479	201,211	210,541
Streets and alleys	389,439	389,439	389,465	432,584
City garage	417,469	417,469	350,253	438,102
Operations	1,411,756	1,411,756	1,329,507	1,334,468
Total public works	<u>2,414,143</u>	<u>2,414,143</u>	<u>2,270,436</u>	<u>2,415,695</u>
Community development:				
Residential rehabilitation	<u>5,000</u>	<u>5,000</u>	<u>4,536</u>	<u>5,690</u>
Economic development:				
Sales tax incentives	<u>18,723,718</u>	<u>18,723,718</u>	<u>15,210,630</u>	<u>17,617,181</u>
Debt service:				
Principal retirement	10,000	10,000	10,000	20,901
Interest and other fixed charges				697
Total debt service	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>21,598</u>
Total expenditures	<u>\$ 40,993,156</u>	<u>\$ 40,993,156</u>	<u>\$ 38,514,772</u>	<u>\$ 40,691,167</u>

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**CITY OF KANKAKEE, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS**

SPECIAL REVENUE FUNDS

Band Fund

Accounts for the revenues and expenditures related to the City's financial support provided to the Kankakee Municipal Band.

Park Fund

Accounts for the revenues and expenditures necessary to maintain the existing City park facilities.

Illinois Municipal Retirement Fund

Accounts for the expenditures related to the state-administered retirement system which is available to general service employees and which is financed through taxation and contributions from employees, and to the City (employer) FICA, Medicare, and state unemployment taxes, all of which are financed through taxation.

Special Service Area No. 2

Accounts for the revenues and expenditures related to the maintenance and repairs of ornamental street lights in the Riverview Historic District.

Special Service Area No. 3

Accounts for the revenues and expenditures related to the Coachlight Square lighting improvement project which was financed through local borrowing and property taxes.

Special Service Area No. 5

Accounts for the revenues and expenditures of maintenance and repairs related to the street and roadway infrastructure in the East Side Business District.

Community Development Agency

Accounts for the revenues and expenditures of the Community Development Block Grant Program and various other federal grant programs.

Senior Aides Program Fund

Accounts for the federal revenues and related expenditures of the Senior Community Service Employment Program administered by Senior Service America, Inc.

Tax Increment Financing Districts Nos. 1, 2, 3, 4, 5, 6, 7 and 8

TIF Districts No. 1, 2, 3, 4, 5, 6, 7 and 8 are trust funds established to finance redevelopment project costs in connection with various "blighted redevelopment project areas" throughout the City. The project areas are redeveloped through the use of incremental property tax revenues generated by related redevelopment projects.

Motor Fuel Tax Fund

Accounts for the expenditures related to state-approved projects which are financed from the local share of the state gasoline tax as collected and distributed by the State of Illinois.

DEBT SERVICE FUNDS

General Obligations Bonds

Each series of general obligation bonds issued is set apart as an individual fund that is used to account for the accumulation of resources for and the payment of debt principal, interest and related costs of each respective issue.

CITY OF KANKAKEE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
April 30, 2010

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash and investments	\$ 2,531,285	\$ 310,074	\$ 2,841,359
Receivables, less allowance for uncollectible amounts:			
Property taxes	4,625,600	4,652,914	9,278,514
Due from other governmental agencies	213,099		213,099
Due from other funds	268,463	2,729	271,192
Due from component units	8,681		8,681
Accounts receivable	837,940		837,940
 Total assets	 <u>\$ 8,485,068</u>	 <u>\$ 4,965,717</u>	 <u>\$13,450,785</u>
Liabilities			
Accounts payable	\$ 45,138		\$ 45,138
Accrued wages payable	42,566		42,566
Due to other funds	964,360	\$ 20,792	985,152
Deferred revenue	5,462,918	4,652,914	10,115,832
 Total liabilities	 <u>6,514,982</u>	 <u>4,673,706</u>	 <u>11,188,688</u>
Fund Balance			
Reserved for debt service		292,011	292,011
Reserved for unexpended street maintenance programs	316,396		316,396
Reserved for economic development	1,322,031		1,322,031
Unreserved	331,659		331,659
 Total fund balance	 <u>1,970,086</u>	 <u>292,011</u>	 <u>2,262,097</u>
 Total liabilities and fund balance	 <u>\$ 8,485,068</u>	 <u>\$ 4,965,717</u>	 <u>\$13,450,785</u>

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended April 30, 2010

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
Revenues:			
Property taxes	\$ 4,023,084	\$ 3,935,432	\$ 7,958,516
Special assessments		268,500	268,500
Intergovernmental	2,872,650		2,872,650
Interest income	12,024	118,973	130,997
Miscellaneous	245,092		245,092
Total revenues	<u>7,152,850</u>	<u>4,322,905</u>	<u>11,475,755</u>
Expenditures:			
Current:			
General government	1,006,932		1,006,932
Highways and streets	1,121,282		1,121,282
Community development	1,888,792		1,888,792
Culture and recreation	65,116		65,116
Economic development	1,313,479		1,313,479
Debt Service:			
Principal retirement	47,303	4,165,930	4,213,233
Interest and fiscal charges	4,697	2,735,398	2,740,095
Total expenditures	<u>5,447,601</u>	<u>6,901,328</u>	<u>12,348,929</u>
Excess (deficiency) of revenues over expenditures	<u>1,705,249</u>	<u>(2,578,423)</u>	<u>(873,174)</u>
Other financing sources (uses):			
Transfers:			
From other funds	208,846	1,940,174	2,149,020
To other funds	(2,590,093)	(51,366)	(2,641,459)
Total other financing sources (uses)	<u>(2,381,247)</u>	<u>1,888,808</u>	<u>(492,439)</u>
Net change in fund balances	(675,998)	(689,615)	(1,365,613)
Fund balance, May 1, 2009	<u>2,646,084</u>	<u>981,626</u>	<u>3,627,710</u>
Fund balance, April 30, 2010	<u><u>\$ 1,970,086</u></u>	<u><u>\$ 292,011</u></u>	<u><u>\$ 2,262,097</u></u>

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**CITY OF KANKAKEE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
April 30, 2010**

	<u>Band Fund</u>	<u>Park Fund</u>	<u>Illinois Municipal Retirement Fund</u>	<u>Special Service Area No. 2</u>	<u>Special Service Area No. 3</u>
Assets					
Cash and investments	\$ 14,484	\$ 2,164	\$ 19,704	\$ 24,721	\$ 40,696
Receivables, less allowance for uncollectible amounts:					
Property taxes	13,000	35,000	718,000	3,000	4,500
Due from other governmental agencies					
Due from other funds			11,864		
Due from component units			8,681		
Accounts receivable			153		
Total assets	<u>\$ 27,484</u>	<u>\$ 37,164</u>	<u>\$ 758,402</u>	<u>\$ 27,721</u>	<u>\$ 45,196</u>
Liabilities					
Accounts payable					
Accrued wages payable		\$ 2,164	\$ 40,402		
Due to other funds					
Deferred revenue	\$ 13,000	35,000	718,000	\$ 3,000	\$ 4,500
Total liabilities	<u>13,000</u>	<u>37,164</u>	<u>758,402</u>	<u>3,000</u>	<u>4,500</u>
Fund Balance					
Reserved for unexpended street maintenance program					
Reserved for economic development					
Unreserved - undesignated	14,484			24,721	40,696
Total fund balance (deficit)	<u>14,484</u>	<u>-0-</u>	<u>-0-</u>	<u>24,721</u>	<u>40,696</u>
Total liabilities and fund balance	<u>\$ 27,484</u>	<u>\$ 37,164</u>	<u>\$ 758,402</u>	<u>\$ 27,721</u>	<u>\$ 45,196</u>

<u>Special Service Area No. 5</u>	<u>Community Development Agency</u>	<u>Senior Aides Program Fund</u>	<u>Motor Fuel Tax Fund</u>	<u>Tax Increment Financing District No. 1 Fund</u>	<u>Tax Increment Financing District No. 2 Fund</u>	<u>Tax Increment Financing District No. 3 Fund</u>	<u>Tax Increment Financing District No. 4 Fund</u>
\$ 46,991	\$ 230,438	\$ 2,299	\$ 625,893	\$ 98,782	\$ 334,098	\$ 163,165	\$ 346,711
15,300				778,800	507,900	467,100	820,200
	153,467		59,632		244,094		
	539,384						298,403
<u>\$ 62,291</u>	<u>\$ 923,289</u>	<u>\$ 2,299</u>	<u>\$ 685,525</u>	<u>\$ 877,582</u>	<u>\$1,086,092</u>	<u>\$ 630,265</u>	<u>\$1,465,314</u>
	\$ 45,138						
\$ 15,300	95,241 538,915			\$ 509,438 778,800	\$ 1,162 507,900	\$ 14,873 467,100	\$ 232,731 1,118,603
<u>15,300</u>	<u>679,294</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>1,288,238</u>	<u>509,062</u>	<u>481,973</u>	<u>1,351,334</u>
			316,396				
46,991	243,995	2,299	369,129	(410,656)	577,030	148,292	113,980
<u>46,991</u>	<u>243,995</u>	<u>2,299</u>	<u>685,525</u>	<u>(410,656)</u>	<u>577,030</u>	<u>148,292</u>	<u>113,980</u>
<u>\$ 62,291</u>	<u>\$ 923,289</u>	<u>\$ 2,299</u>	<u>\$ 685,525</u>	<u>\$ 877,582</u>	<u>\$1,086,092</u>	<u>\$ 630,265</u>	<u>\$1,465,314</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
(Continued)
April 30, 2010

	Tax Increment Financing District No. 5 Fund	Tax Increment Financing District No. 6 Fund	Tax Increment Financing District No. 7 Fund	Tax Increment Financing District No. 8 Fund	Totals
Assets					
Cash and investments	\$ 122,092	\$ 113,206	\$ 70,014	\$ 275,827	\$ 2,531,285
Receivables, less allowance for uncollectible amounts:					
Property taxes	157,700	184,200	46,300	874,600	4,625,600
Due from other governmental agencies					213,099
Due from other funds			12,505		268,463
Due from component units					8,681
Accounts receivable					837,940
Total assets	<u>\$ 279,792</u>	<u>\$ 297,406</u>	<u>\$ 128,819</u>	<u>\$ 1,150,427</u>	<u>\$ 8,485,068</u>
Liabilities					
Accounts payable					\$ 45,138
Accrued wages payable					42,566
Due to other funds	\$ 14,729			\$ 96,186	964,360
Deferred revenue	157,700	\$ 184,200	\$46,300	874,600	5,462,918
Total liabilities	<u>172,429</u>	<u>184,200</u>	<u>46,300</u>	<u>970,786</u>	<u>6,514,982</u>
Fund Balance					
Reserved for unexpended street maintenance program					316,396
Reserved for economic development	107,363	113,206	82,519	179,641	1,322,031
Unreserved - undesignated					331,659
Total fund balance (deficit)	<u>107,363</u>	<u>113,206</u>	<u>82,519</u>	<u>179,641</u>	<u>1,970,086</u>
Total liabilities and fund balance	<u>\$ 279,792</u>	<u>\$ 297,406</u>	<u>\$ 128,819</u>	<u>\$ 1,150,427</u>	<u>\$ 8,485,068</u>

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CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the year ended April 30, 2010

	<u>Band Fund</u>	<u>Park Fund</u>	<u>Illinois Municipal Retirement Fund</u>	<u>Special Service Area No. 2</u>	<u>Special Service Area No. 3</u>
Revenues:					
Property taxes	\$ 15,233	\$ 35,550	\$ 515,415	\$ 3,012	\$ 51,902
Intergovernmental					
Interest income	4	10	142	1	14
Miscellaneous					
Total revenues	<u>15,237</u>	<u>35,560</u>	<u>515,557</u>	<u>3,013</u>	<u>51,916</u>
Expenditures:					
Current:					
General government			732,471		
Highways and streets					
Community development					
Culture and recreation	13,000	52,116			
Economic development					
Debt Service:					
Principal retirement					47,303
Interest and fiscal charges					1,161
Total expenditures	<u>13,000</u>	<u>52,116</u>	<u>732,471</u>	<u>-0-</u>	<u>48,464</u>
Excess (deficiency) of revenues over expenditures	<u>2,237</u>	<u>(16,556)</u>	<u>(216,914)</u>	<u>3,013</u>	<u>3,452</u>
Other financing sources (uses):					
Transfers:					
From other funds		16,556	132,290		
To other funds					
Total other financing sources (uses)	<u>-0-</u>	<u>16,556</u>	<u>132,290</u>	<u>-0-</u>	<u>-0-</u>
Net change in fund balances	2,237		(84,624)	3,013	3,452
Fund balance (deficit), May 1, 2009	<u>12,247</u>		<u>84,624</u>	<u>21,708</u>	<u>37,244</u>
Fund balance (deficit), April 30, 2010	<u>\$ 14,484</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 24,721</u>	<u>\$ 40,696</u>

Special Service Area No. 5	Community Development Agency	Senior Aides Program Fund	Motor Fuel Tax Fund	Tax Increment Financing District No. 1 Fund	Tax Increment Financing District No. 2 Fund	Tax Increment Financing District No. 3 Fund	Tax Increment Financing District No. 4 Fund
\$ 15,667				\$ 728,601	\$ 469,075	\$ 446,810	\$ 734,250
4	\$ 2,059,587 4,386 15,092	\$ 103,445 5	\$ 709,618 315 230,000	316	3,636	1,450	204
<u>15,671</u>	<u>2,079,065</u>	<u>103,450</u>	<u>939,933</u>	<u>728,917</u>	<u>472,711</u>	<u>448,260</u>	<u>734,454</u>
	170,797 1,888,792	103,664	1,121,282				
				134,205	404,372	420,316	81,220
	3,536						
<u>-0-</u>	<u>2,063,125</u>	<u>103,664</u>	<u>1,121,282</u>	<u>134,205</u>	<u>404,372</u>	<u>420,316</u>	<u>81,220</u>
<u>15,671</u>	<u>15,940</u>	<u>(214)</u>	<u>(181,349)</u>	<u>594,712</u>	<u>68,339</u>	<u>27,944</u>	<u>653,234</u>
			60,000	(646,575)	(251,162)	(227,235)	(395,332)
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>60,000</u>	<u>(646,575)</u>	<u>(251,162)</u>	<u>(227,235)</u>	<u>(395,332)</u>
15,671	15,940	(214)	(121,349)	(51,863)	(182,823)	(199,291)	257,902
<u>31,320</u>	<u>228,055</u>	<u>2,513</u>	<u>806,874</u>	<u>(358,793)</u>	<u>759,853</u>	<u>347,583</u>	<u>(143,922)</u>
<u>\$ 46,991</u>	<u>\$ 243,995</u>	<u>\$ 2,299</u>	<u>\$ 685,525</u>	<u>\$ (410,656)</u>	<u>\$ 577,030</u>	<u>\$ 148,292</u>	<u>\$ 113,980</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
(Continued)

For the year ended April 30, 2010

	Tax Increment Financing District No. 5 Fund	Tax Increment Financing District No. 6 Fund	Tax Increment Financing District No. 7 Fund	Tax Increment Financing District No. 8 Fund	Totals
Revenues:					
Property taxes	\$ 159,633	\$ 169,772	\$ 16,798	\$ 661,366	\$ 4,023,084
Intergovernmental					2,872,650
Interest income	123	101	198	1,115	12,024
Miscellaneous					245,092
Total revenues	<u>159,756</u>	<u>169,873</u>	<u>16,996</u>	<u>662,481</u>	<u>7,152,850</u>
Expenditures:					
Current:					
General government					1,006,932
Highways and streets					1,121,282
Community development					1,888,792
Culture and recreation					65,116
Economic development	1,100	1,100	3,300	267,866	1,313,479
Debt Service:					
Principal retirement					47,303
Interest and fiscal charges					4,697
Total expenditures	<u>1,100</u>	<u>1,100</u>	<u>3,300</u>	<u>267,866</u>	<u>5,447,601</u>
Excess (deficiency) of revenues over expenditures	<u>158,656</u>	<u>168,773</u>	<u>13,696</u>	<u>394,615</u>	<u>1,705,249</u>
Other financing sources (uses):					
Transfers:					
From other funds					208,846
To other funds	(127,660)	(235,163)	(31,978)	(674,988)	(2,590,093)
Total other financing sources (uses)	<u>(127,660)</u>	<u>(235,163)</u>	<u>(31,978)</u>	<u>(674,988)</u>	<u>(2,381,247)</u>
Net change in fund balances	<u>30,996</u>	<u>(66,390)</u>	<u>(18,282)</u>	<u>(280,373)</u>	<u>(675,998)</u>
Fund balance (deficit), May 1, 2009	<u>76,367</u>	<u>179,596</u>	<u>100,801</u>	<u>460,014</u>	<u>2,646,084</u>
Fund balance (deficit), April 30, 2010	<u>\$ 107,363</u>	<u>\$ 113,206</u>	<u>\$ 82,519</u>	<u>\$ 179,641</u>	<u>\$ 1,970,086</u>

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
BAND FUND
For the year ended April 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 13,000	\$ 13,000	\$ 15,233	\$ 2,233
Interest income			4	4
Total revenues	<u>13,000</u>	<u>13,000</u>	<u>15,237</u>	<u>2,237</u>
Expenditures:				
Current:				
Culture and recreation	<u>13,000</u>	<u>13,000</u>	<u>13,000</u>	<u>-0-</u>
Net change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	2,237	<u>\$ 2,237</u>
Fund balance, May 1, 2009			12,247	
Fund balance, April 30, 2010			<u>\$ 14,484</u>	

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PARK FUND
For the year ended April 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 35,000	\$ 35,000	\$ 35,550	\$ 550
Interest income			10	10
Total revenues	<u>35,000</u>	<u>35,000</u>	<u>35,560</u>	<u>560</u>
Expenditures:				
Current:				
Culture and recreation	<u>35,000</u>	<u>35,000</u>	<u>52,116</u>	<u>17,116</u>
Excess (deficiency) of revenues over expenditures	-0-	-0-	(16,556)	(16,556)
Other financing sources:				
Transfers from other funds			16,556	16,556
Net change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>-0-</u>	<u>\$ -0-</u>
Fund balance, May 1, 2009			-0-	
Fund balance, April 30, 2010			<u>\$ -0-</u>	

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ILLINOIS MUNICIPAL RETIREMENT FUND
For the year ended April 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 519,750	\$ 519,750	\$ 515,415	\$ (4,335)
Interest income			142	142
Total revenues	519,750	519,750	515,557	(4,193)
Expenditures:				
Current:				
General government	630,000	630,000	732,471	102,471
Excess (deficiency) of revenues over expenditures	(110,250)	(110,250)	(216,914)	(106,664)
Other financing sources:				
Transfers from other funds	110,250	110,250	132,290	
Net change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	(84,624)	<u>\$ (106,664)</u>
Fund balance, May 1, 2009			84,624	
Fund balance, April 30, 2010			<u>\$ -0-</u>	

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL SERVICE AREA NO. 2
For the year ended April 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 3,000	\$ 3,000	\$ 3,012	\$ 12
Interest income			1	1
Total revenues	3,000	3,000	3,013	13
Expenditures:				
Current:				
General government	3,000	3,000		(3,000)
Net change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	3,013	<u>\$ 3,013</u>
Fund balance, May 1, 2009			21,708	
Fund balance, April 30, 2010			<u>\$ 24,721</u>	

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL SERVICE AREA NO. 3
For the year ended April 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 52,750	\$ 52,750	\$ 51,902	\$ (848)
Interest income			14	14
Total revenues	<u>52,750</u>	<u>52,750</u>	<u>51,916</u>	<u>(834)</u>
Expenditures:				
Current:				
Highways and streets	4,223	4,223		(4,223)
Debt service:				
Principal retirement	48,527	48,527	47,303	(1,224)
Interest and fiscal charges			1,161	1,161
Total expenditures	<u>52,750</u>	<u>52,750</u>	<u>48,464</u>	<u>(4,286)</u>
Net change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	3,452	<u>\$ 3,452</u>
Fund balance, May 1, 2009			37,244	
Fund balance, April 30, 2010			<u>\$ 40,696</u>	

CITY OF KANKAKEE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
April 30, 2010

	General Obligation Bonds, Series 2001A	General Obligation Bonds, Series 2003A	General Obligation Bonds, Series 2003B	General Obligation Bonds, Series 2004
Assets				
Cash and investments	\$ 6,395			\$ 4,233
Receivables, less allowance for uncollectible amounts:				
Property taxes	388,260	\$ 579,519		1,580,228
Due from other funds				2,729
Total assets	<u>\$ 394,655</u>	<u>\$ 579,519</u>	<u>\$ -0-</u>	<u>\$ 1,587,190</u>
Liabilities				
Due to other funds				
Deferred revenue	\$ 388,260	\$ 579,519		\$ 1,580,228
Total liabilities	<u>388,260</u>	<u>579,519</u>	<u>\$ -0-</u>	<u>1,580,228</u>
Fund Balance				
Reserved for debt service	<u>6,395</u>			<u>6,962</u>
Total liabilities and fund balance	<u>\$ 394,655</u>	<u>\$ 579,519</u>	<u>\$ -0-</u>	<u>\$ 1,587,190</u>

General Obligation Bonds, Series 2005	General Obligation Bonds, Series 2006	General Obligation Bonds, Series 2007A	Indian Meadows Debt Service	General Obligation Bonds, Series 2008	General Obligation Bonds, Series 2009	Totals
\$ 98,334	\$ 63,410	\$ 675	\$ 7,808	\$ 585	\$ 128,634	\$ 310,074
298,439	376,120			284,975	1,145,373	4,652,914 2,729
<u>\$ 396,773</u>	<u>\$ 439,530</u>	<u>\$ 675</u>	<u>\$ 7,808</u>	<u>\$ 285,560</u>	<u>\$ 1,274,007</u>	<u>\$ 4,965,717</u>
\$ 298,439	\$ 376,120			\$ 284,975	\$ 20,792 1,145,373	\$ 20,792 4,652,914
<u>298,439</u>	<u>376,120</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>284,975</u>	<u>1,166,165</u>	<u>4,673,706</u>
98,334	63,410	675	7,808	585	107,842	292,011
<u>\$ 396,773</u>	<u>\$ 439,530</u>	<u>\$ 675</u>	<u>\$ 7,808</u>	<u>\$ 285,560</u>	<u>\$ 1,274,007</u>	<u>\$ 4,965,717</u>

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
For the year ended April 30, 2010

	General Obligation Bonds, Series 2001A	General Obligation Bonds, Series 2003A	General Obligation Bonds, Series 2003B	General Obligation Bonds, Series 2004
Revenues:				
Property taxes		\$ 172,624		\$ 575,288
Special assessments				
Interest income		48		183
Total revenues	<u>\$ -0-</u>	<u>172,672</u>	<u>\$ -0-</u>	<u>575,471</u>
Expenditures:				
Debt service:				
Principal retirement	305,000	85,000	295,000	455,000
Interest and fiscal charges	80,486	157,281	176,575	253,063
Total expenditures	<u>385,486</u>	<u>242,281</u>	<u>471,575</u>	<u>708,063</u>
Excess (deficiency) of revenues over expenditures	<u>(385,486)</u>	<u>(69,609)</u>	<u>(471,575)</u>	<u>(132,592)</u>
Other financing sources (uses):				
Transfers:				
From other funds	57,931	51,366	471,575	127,660
To other funds				
Total other financing sources (uses)	<u>57,931</u>	<u>51,366</u>	<u>471,575</u>	<u>127,660</u>
Net change in fund balance	(327,555)	(18,243)	-0-	(4,932)
Fund balance (deficit), May 1, 2009	333,950	18,243		11,894
Fund balance, April 30, 2010	<u>\$ 6,395</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 6,962</u>

General Obligation Bonds, Series 2005	General Obligation Bonds, Series 2006	General Obligation Bonds, Series 2007A	Indian Meadows Debt Service	General Obligation Bonds, Series 2008	General Obligation Bonds, Series 2009	Totals
\$ 448,651	\$ 364,811		\$ 268,500	\$ 328,291	\$ 2,045,767	\$ 3,935,432
92	77		117,848	95	630	268,500
<u>448,743</u>	<u>364,888</u>	<u>\$ -0-</u>	<u>386,348</u>	<u>328,386</u>	<u>\$ 2,046,397</u>	<u>4,322,905</u>
350,000	320,000	260,000	260,930		1,835,000	4,165,930
337,803	432,770	232,783	114,842	284,975	664,820	2,735,398
<u>687,803</u>	<u>752,770</u>	<u>492,783</u>	<u>375,772</u>	<u>284,975</u>	<u>2,499,820</u>	<u>6,901,328</u>
<u>(239,060)</u>	<u>(387,882)</u>	<u>(492,783)</u>	<u>10,576</u>	<u>43,411</u>	<u>(453,423)</u>	<u>(2,578,423)</u>
235,163	368,055	492,783			135,641	1,940,174
					(51,366)	(51,366)
<u>235,163</u>	<u>368,055</u>	<u>492,783</u>	<u>-0-</u>	<u>-0-</u>	<u>84,275</u>	<u>1,888,808</u>
(3,897)	(19,827)	-0-	10,576	43,411	(369,148)	(689,615)
102,231	83,237	675	(2,768)	(42,826)	476,990	981,626
<u>\$ 98,334</u>	<u>\$ 63,410</u>	<u>\$ 675</u>	<u>\$ 7,808</u>	<u>\$ 585</u>	<u>\$ 107,842</u>	<u>\$ 292,011</u>

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**CITY OF KANKAKEE, ILLINOIS
NONMAJOR PROPRIETARY FUNDS**

Solid Waste Utility Fund

Accounts for the provision of solid waste collection, transportation, and disposal for City residents. All activities necessary to provide such services are accounted for in this fund.

Motor Vehicle Parking Fund

Accounts for the City's investment in parking facilities capital, the revenues received as a result of parking violations in the City's downtown area, and expenses to lease parking facilities not owned by the City.

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CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
April 30, 2010

	Business-type Activities Enterprise Funds		
	Solid Waste Utility	Motor Vehicle Parking	Total
Assets			
Current assets:			
Cash and investments	\$ 312,926	\$ 85,602	\$ 398,528
Receivables, less allowance for uncollectible amounts:			
Accounts receivable	<u>533,211</u>	<u></u>	<u>533,211</u>
Total current assets	846,137	85,602	931,739
Non-current assets:			
Non-depreciable capital assets	<u></u>	<u>1,443,808</u>	<u>1,443,808</u>
Total assets	<u>846,137</u>	<u>1,529,410</u>	<u>2,375,547</u>
Liabilities			
Due to other funds	<u>419,356</u>	<u></u>	<u>419,356</u>
Net Assets			
Invested in capital assets, net of related debt		1,443,808	1,443,808
Unrestricted	<u>426,781</u>	<u>85,602</u>	<u>512,383</u>
Total net assets	<u>\$ 426,781</u>	<u>\$ 1,529,410</u>	<u>\$ 1,956,191</u>

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
For the year ended April 30, 2010

	Business-type Activities Enterprise Funds		
	Solid Waste Utility	Motor Vehicle Parking	Total
Operating revenues:			
Solid waste charges	\$ 2,165,584		\$ 2,165,584
Parking revenues		\$ 9,248	9,248
Total operating revenues	2,165,584	9,248	2,174,832
Operating expenses:			
Administration	2,214,777		2,214,777
Operating income (loss)	(49,193)	9,248	(39,945)
Nonoperating revenues (expenses):			
Interest income	111	41	152
Change in net assets	(49,082)	9,289	(39,793)
Net assets, May 1, 2009	475,863	1,520,121	1,995,984
Net assets, April 30, 2010	\$ 426,781	\$ 1,529,410	\$ 1,956,191

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the year ended April 30, 2010

	Business-type Activities Enterprise Funds		
	Solid Waste Utility	Motor Vehicle Parking	Total
Cash flows provided (used) by operating activities:			
Receipts from customers and users	\$ 2,492,856	\$ 9,248	\$ 2,502,104
Payments to suppliers	(2,253,157)		(2,253,157)
Net cash provided by operating activities	239,699	9,248	248,947
Cash flows provided (used) by investing activities:			
Interest received	111	41	152
Net increase in cash and cash equivalents	239,810	9,289	249,099
Cash and cash equivalents, May 1, 2009	73,116	76,313	149,429
Cash and cash equivalents, April 30, 2010	\$ 312,926	\$ 85,602	\$ 398,528
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (49,193)	\$ 9,248	\$ (39,945)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Provision (credit) for bad debts	(16,000)		(16,000)
(Increase) decrease in operating assets:			
Accounts receivable	343,272		343,272
Increase (decrease) in operating liabilities:			
Accounts payable	(38,380)		(38,380)
Net cash provided by operating activities	\$ 239,699	\$ 9,248	\$ 248,947

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**CITY OF KANKAKEE, ILLINOIS
FIDUCIARY FUNDS**

Police Pension Fund

A pension trust which accounts for the police officers' pension fund. Revenue includes City contributions, contributions from participants and investment earnings.

Firefighters' Pension Fund

A pension trust which accounts for the firefighters' pension fund. Revenue includes City contributions, contributions from participants and investment earnings.

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CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
April 30, 2010

	Police Pension Fund	Firefighters' Pension Fund	Totals
Assets			
Cash and short-term investments	\$ 1,172,111	\$ 1,018,272	\$ 2,190,383
Receivables, less allowance for uncollectible amounts:			
Employee contributions	20,180	14,334	34,514
Employer contributions	145,158	128,965	274,123
Interest	28,360	34,672	63,032
Investments, at fair value:			
Open-end mutual funds	3,522,238	3,589,671	7,111,909
Corporate securities	1,918,680		1,918,680
U. S. treasury and agency securities	5,246,024	3,668,784	8,914,808
Corporate bonds		23,745	23,745
Prepaid items		9,830	9,830
 Total assets	 <u>12,052,751</u>	 <u>8,488,273</u>	 <u>20,541,024</u>
Liabilities			
Benefits and other payables	<u>26,638</u>	<u>204,214</u>	<u>230,852</u>
Net Assets			
Net assets held in trust for pension benefits	<u>\$12,026,113</u>	<u>\$ 8,284,059</u>	<u>\$20,310,172</u>

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
For the year ended April 30, 2010

	Police Pension Fund	Firefighters' Pension Fund	Totals
Additions:			
Contributions:			
Employer	\$ 1,417,545	\$ 1,518,183	\$ 2,935,728
Employee	477,278	347,467	824,745
Total contributions	<u>1,894,823</u>	<u>1,865,650</u>	<u>3,760,473</u>
Investment income (loss):			
Net change in fair value of investments	1,410,284	813,941	2,224,225
Interest and dividends	<u>220,385</u>	<u>228,819</u>	<u>449,204</u>
	1,630,669	1,042,760	2,673,429
Less: investment expense	<u>(77,256)</u>	<u>(55,605)</u>	<u>(132,861)</u>
Net investment income (loss)	<u>1,553,413</u>	<u>987,155</u>	<u>2,540,568</u>
Total additions	<u>3,448,236</u>	<u>2,852,805</u>	<u>6,301,041</u>
Deductions:			
Benefits	1,866,819	2,197,226	4,064,045
Refunds of contributions	12,796	31,690	44,486
Administrative expenses	<u>25,260</u>	<u>56,377</u>	<u>81,637</u>
Total deductions	<u>1,904,875</u>	<u>2,285,293</u>	<u>4,190,168</u>
Change in net assets held in trust for pension benefits	1,543,361	567,512	2,110,873
Net assets held in trust for pension benefits:			
May 1, 2009	<u>10,482,752</u>	<u>7,716,547</u>	<u>18,199,299</u>
April 30, 2010	<u>\$ 12,026,113</u>	<u>\$ 8,284,059</u>	<u>\$ 20,310,172</u>

**CITY OF KANKAKEE, ILLINOIS
COMPONENT UNITS**

Kankakee Public Library

Accounts for the revenues and expenses of the local public library. A majority of the revenues are from a property tax levy approved by the City Council.

Special Service Area #1

Accounts for activities to promote and develop downtown Kankakee. The major source of revenues is from a property tax levy approved by the City Council.

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CITY OF KANKAKEE, ILLINOIS
DISCRETELY PRESENTED COMPONENT UNIT - KANKAKEE PUBLIC LIBRARY
STATEMENT OF NET ASSETS AND GOVERNMENT FUND BALANCE SHEET
April 30, 2010

	<u>General Operating</u>	<u>Adjustment</u>	<u>Statement of Net Assets</u>
Assets			
Cash and investments	\$ 565,713		\$ 565,713
Receivables, less allowance for uncollectible amounts:			
Property taxes	1,600,000		1,600,000
Capital assets:			
Depreciable (net of accumulated depreciation)		\$ 6,708,378	6,708,378
Total assets	<u>\$ 2,165,713</u>	<u>\$ 6,708,378</u>	<u>\$ 8,874,091</u>
Liabilities			
Accounts payable	\$ 38,382		\$ 38,382
Due to primary government	220,554		220,554
Deferred revenue	1,617,550		1,617,550
Long-term liabilities:			
Due within one year		\$ 103,776	103,776
Due within more than one year		2,952,147	2,952,147
Total liabilities	<u>1,876,486</u>	<u>3,055,923</u>	<u>4,932,409</u>
Fund Balances			
Unreserved - undesignated	289,227	(289,227)	-0-
Net Assets			
Invested in capital assets, net of related debt		3,652,455	3,652,455
Unrestricted		289,227	289,227
Total fund balances/net assets	<u>289,227</u>	<u>3,652,455</u>	<u>3,941,682</u>
Total liabilities and fund balances/net assets	<u>\$ 2,165,713</u>	<u>\$ 6,708,378</u>	<u>\$ 8,874,091</u>

CITY OF KANKAKEE, ILLINOIS
DISCRETELY PRESENTED COMPONENT UNIT - KANKAKEE PUBLIC LIBRARY
STATEMENT OF ACTIVITIES AND GOVERNMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the year ended April 30, 2010

	General Operating	Adjustment	Statement of Activities
Revenues:			
Property taxes	\$ 1,576,721		\$ 1,576,721
Fees	137,375		137,375
Intergovernmental	74,830		74,830
Interest	4,941		4,941
Other	39,784		39,784
	<u>1,833,651</u>	<u>\$ -0-</u>	<u>1,833,651</u>
Expenditures/expenses:			
Current:			
Culture and recreation	1,453,552	103,892	1,557,444
Debt service:			
Principal retirement	98,725	(98,725)	-0-
Interest and fiscal charges	155,490		155,490
	<u>1,707,767</u>	<u>5,167</u>	<u>1,712,934</u>
Net change in fund balances/net assets	125,884	(5,167)	120,717
Fund balances/net assets, May 1, 2009	<u>163,343</u>	<u>3,657,622</u>	<u>3,820,965</u>
Fund balances/net assets, April 30, 2010	<u>\$ 289,227</u>	<u>\$ 3,652,455</u>	<u>\$ 3,941,682</u>

CITY OF KANKAKEE, ILLINOIS
DISCRETELY PRESENTED COMPONENT UNIT - SPECIAL SERVICE AREA NO. 1
STATEMENT OF NET ASSETS AND GOVERNMENT FUND BALANCE SHEET
April 30, 2010

	<u>General Operating</u>	<u>Adjustment</u>	<u>Statement of Net Assets</u>
Assets			
Cash and investments	\$ 230,674		\$ 230,674
Receivables, less allowance for uncollectible amounts:			
Property taxes	122,000		122,000
Capital assets:			
Depreciable (net of accumulated depreciation)		\$ 984,908	984,908
Total assets	<u><u>\$ 352,674</u></u>	<u><u>\$ 984,908</u></u>	<u><u>\$ 1,337,582</u></u>
Liabilities			
Deferred revenue	<u>\$ 122,000</u>		<u>\$ 122,000</u>
Fund Balances			
Unreserved - undesignated	230,674	\$ (230,674)	-0-
Net Assets			
Invested in capital assets, net of related debt		984,908	984,908
Unrestricted		230,674	230,674
Total fund balances/net assets	<u><u>230,674</u></u>	<u><u>984,908</u></u>	<u><u>1,215,582</u></u>
Total liabilities and fund balances/net assets	<u><u>\$ 352,674</u></u>	<u><u>\$ 984,908</u></u>	<u><u>\$ 1,337,582</u></u>

CITY OF KANKAKEE, ILLINOIS
DISCRETELY PRESENTED COMPONENT UNIT - SPECIAL SERVICE AREA NO. 1
STATEMENT OF ACTIVITIES AND GOVERNMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the year ended April 30, 2010

	<u>General Operating</u>	<u>Adjustment</u>	<u>Statement of Activities</u>
Revenues:			
Property taxes	\$ 122,852		\$ 122,852
Interest	1,388		1,388
Other	13,981		13,981
Contribution from primary government	143,911		143,911
	<u>282,132</u>	<u>\$ -0-</u>	<u>282,132</u>
Total revenues			
Expenditures/expenses:			
Current:			
General government	<u>389,266</u>	<u>(209,784)</u>	<u>179,482</u>
	<u>(107,134)</u>	<u>209,784</u>	<u>102,650</u>
Net change in fund balances/net assets			
Fund balances/net assets, May 1, 2009	<u>337,808</u>	<u>775,124</u>	<u>1,112,932</u>
Fund balances/net assets, April 30, 2010	<u>\$ 230,674</u>	<u>\$ 984,908</u>	<u>\$ 1,215,582</u>

SUPPLEMENTAL SCHEDULES

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CITY OF KANKAKEE, ILLINOIS
PROPERTY TAXES RECEIVABLE
2009 LEVY TO BE COLLECTED IN 2010
April 30, 2010

	Taxes extended	Estimated losses	Estimated net taxes receivable
Primary Government:			
General Fund	\$ 5,375,278	\$ 16,481	\$ 5,358,797
Special revenue funds:			
Band Fund	15,407	2,407	13,000
Park Fund	35,951	951	35,000
Illinois Municipal Retirement Fund	719,016	1,016	718,000
Special Service Area No. 2	3,044	44	3,000
Special Service Area No. 3	4,510	10	4,500
Special Service Area No. 5	15,311	11	15,300
Tax Increment Financing District #1	778,831	31	778,800
Tax Increment Financing District #2	507,912	12	507,900
Tax Increment Financing District #3	467,194	94	467,100
Tax Increment Financing District #4	820,210	10	820,200
Tax Increment Financing District #5	157,720	20	157,700
Tax Increment Financing District #6	184,276	76	184,200
Tax Increment Financing District #7	46,332	32	46,300
Tax Increment Financing District #8	874,686	86	874,600
Total special revenue funds	<u>4,630,400</u>	<u>4,800</u>	<u>4,625,600</u>
Debt service funds	<u>4,653,060</u>	<u>146</u>	<u>4,652,914</u>
Total Primary Government	<u>\$ 14,658,738</u>	<u>\$ 21,427</u>	<u>\$ 14,637,311</u>
Component Units:			
Library	\$ 1,602,378	\$ 2,378	\$ 1,600,000
Special Service Area No. 1	122,089	89	122,000
Total Component Units	<u>\$ 1,724,467</u>	<u>\$ 2,467</u>	<u>\$ 1,722,000</u>

**CITY OF KANKAKEE, ILLINOIS
PROPRIETARY FUND TYPES
SEWER UTILITY FUND
SCHEDULE OF BOND RATE COVENANT CALCULATION
April 30, 2010**

Debt service requirements	\$ 791,598	
120% covenant	<u>x 120%</u>	
Total required revenues	<u>\$ 949,918</u>	
Net revenues generated by sewer utility:		
Sewer charges	\$ 7,872,919	
Utility operations expenses	<u>(3,361,260)</u>	
Net revenues generated	4,511,659	
Sewer Utility's share of Kankakee River Metropolitan		
Agency's plant operations expenses	(2,692,188)	
Interest income	<u>1,895</u>	
Total net revenues available		
(expressed in dollars and as a percentage of debt service requirements)	<u>\$ 1,821,366</u>	<u>230%</u>
Bond covenant coverage over the required revenues	<u>\$ 871,448</u>	

CITY OF KANKAKEE, ILLINOIS
PROPRIETARY FUND TYPES
SEWER UTILITY FUND
SCHEDULE OF REVENUE BONDS PAYABLE
April 30, 2010

Series 2001			Series 2009		Totals		
Date of issue	December 1, 2001		December 1, 2009				
Interest rates	2.45% to 5.00%		2.00% to 5.80%				
Principal							
redemption date	May 1		May 1				
Interest payment							
dates	May 1 and November 1		May 1 and November 1				
Original issue	\$4,270,000		\$4,000,000		\$ 8,270,000		
Paid to date	1,475,000		-0-		1,475,000		
Balance, April 30, 2010	<u>\$2,795,000</u>		<u>\$4,000,000</u>		<u>\$ 6,795,000</u>		
Date as follows:							
Year ending							
April 30,	Principal	Interest	Principal	Interest	Principal	Interest	Totals
2011	\$ 180,000	\$ 130,120	\$ 220,000	\$ 261,478	\$ 400,000	\$ 391,598	\$ 791,598
2012	190,000	122,650	225,000	180,173	415,000	302,823	717,823
2013	195,000	114,670	230,000	174,547	425,000	289,217	714,217
2014	205,000	106,188	240,000	167,188	445,000	273,376	718,376
2015	215,000	97,065	250,000	158,787	465,000	255,852	720,852
2016	225,000	87,498	260,000	149,288	485,000	236,786	721,786
2017	235,000	77,260	270,000	138,107	505,000	215,367	720,367
2018	245,000	66,215	280,000	125,283	525,000	191,498	716,498
2019	255,000	54,455	295,000	111,282	550,000	165,737	715,737
2020	270,000	42,088	310,000	96,090	580,000	138,178	718,178
2021	285,000	28,858	325,000	79,660	610,000	108,518	718,518
2022	295,000	14,750	345,000	62,110	640,000	76,860	716,860
2023			365,000	43,135	365,000	43,135	408,135
2024			385,000	22,330	385,000	22,330	407,330
	<u>\$2,795,000</u>	<u>\$ 941,817</u>	<u>\$4,000,000</u>	<u>\$1,769,458</u>	<u>\$ 6,795,000</u>	<u>\$2,711,275</u>	<u>\$9,506,275</u>

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF GENERAL OBLIGATION BONDS PAYABLE
April 30, 2010

	Series 2001A		Series 2003A		Series 2003B	
Date of issue	December 1, 2001		June 1, 2003		June 1, 2003	
Interest rates	2.10% to 4.50%		2.25% to 5.25%		2.25% to 5.25%	
Principal redemption date	January 1		January 1		January 1	
Interest payment dates	July 1 and January 1		July 1 and January 1		July 1 and January 1	
Original issue	\$ 3,595,000		\$ 3,960,000		\$ 4,860,000	
Paid to date	<u>1,985,000</u>		<u>695,000</u>		<u>1,355,000</u>	
Balance, April 30, 2010	<u>\$ 1,610,000</u>		<u>\$ 3,265,000</u>		<u>\$ 3,505,000</u>	
Due as follows:						
Year ending April 30,	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 320,000	\$ 68,260	\$ 425,000	\$ 154,519	\$ 310,000	\$ 166,989
2012	330,000	55,140	510,000	140,175	325,000	156,525
2013	345,000	41,445	1,090,000	122,325	340,000	145,150
2014	360,000	26,955	1,240,000	65,100	360,000	132,825
2015	255,000	11,475			380,000	113,925
2016					405,000	93,975
2017					435,000	72,712
2018					460,000	49,875
2019					490,000	25,724
2020						
2021						
2022						
2023						
2024						
2025						
2026						
2027						
2028						
2029						
	<u>\$1,610,000</u>	<u>\$ 203,275</u>	<u>\$3,265,000</u>	<u>\$ 482,119</u>	<u>\$3,505,000</u>	<u>\$ 957,700</u>

Series 2004		Series 2005		Series 2006		Series 2007A	
April 1, 2004 2.00% to 4.00%		February 1, 2005 3.00% to 4.35%		September 15, 2006 3.50% to 5.25%		August 2, 2007 4.00% to 5.00%	
January 1		January 1		January 1		January 1	
July 1 and January 1		July 1 and January 1		July 1 and January 1		July 1 and January 1	
\$ 9,600,000		\$ 9,160,000		\$ 9,555,000		\$ 5,405,000	
<u>2,495,000</u>		<u>1,270,000</u>		<u>655,000</u>		<u>370,000</u>	
<u>\$ 7,105,000</u>		<u>\$ 7,890,000</u>		<u>\$ 8,900,000</u>		<u>\$ 5,035,000</u>	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$1,470,000	\$ 240,550	\$ 220,000	\$ 323,803	\$ 260,000	\$ 421,090	\$ 245,000	\$ 221,733
1,520,000	196,450	255,000	315,002	270,000	411,470	215,000	211,320
290,000	147,810	520,000	304,803	320,000	401,345	225,000	202,183
120,000	138,385	550,000	284,002	335,000	389,505	240,000	192,620
135,000	134,425	595,000	262,003	655,000	376,775	260,000	182,420
1,350,000	129,835	635,000	238,202	675,000	351,885	265,000	172,020
1,820,000	81,910	675,000	212,803	375,000	325,898	95,000	161,155
130,000	15,480	720,000	185,802	540,000	311,460	110,000	157,260
130,000	10,605	755,000	154,843	585,000	290,400	125,000	152,750
140,000	5,600	780,000	124,642	645,000	259,688	140,000	147,625
		815,000	92,663	730,000	222,600	160,000	141,745
		500,000	58,840	790,000	184,275	170,000	135,025
		510,000	37,590	880,000	142,800	180,000	127,885
		360,000	15,660	715,000	96,600	600,000	120,325
				1,125,000	59,063	635,000	90,325
						670,000	58,575
						700,000	30,100
<u>\$7,105,000</u> <u>\$1,101,050</u>		<u>\$7,890,000</u> <u>\$2,610,658</u>		<u>\$8,900,000</u> <u>\$4,244,854</u>		<u>\$5,035,000</u> <u>\$2,505,066</u>	

(Continued)

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF GENERAL OBLIGATION BONDS PAYABLE
(Continued)
April 30, 2010

	Series 2007B		Series 2008		Series 2009A	
Date of issue	August 2, 2007		June 1, 2008		April 15, 2009	
Interest rates	4.25% to 4.36%		3.45% to 5.25%		2.30% to 5.00%	
Principal redemption date	January 1		January 1		January 1	
Interest payment dates	July 1 and January 1		July 1 and January 1		July 1 and January 1	
Original issue	\$ 1,422,327		\$ 6,930,000		\$ 10,180,000	
Paid to date	<hr/>		<hr/>		<hr/>	
Balance, April 30, 2010	<u>\$ 1,422,327</u>		<u>\$ 6,930,000</u>		<u>\$ 10,180,000</u>	
Due as follows:						
Year ending April 30,	Principal	Interest	Principal	Interest	Principal	Interest
2011				\$ 284,975	\$ 80,000	\$ 443,543
2012				284,975	80,000	441,703
2013				284,975	85,000	439,863
2014				284,975	85,000	437,228
2015	\$ 402,672	\$ 147,329		284,975	90,000	434,593
2016	350,125	149,875	\$ 315,000	284,975	135,000	431,803
2017	267,496	132,504	425,000	274,108	165,000	427,078
2018	402,034	227,965	585,000	259,020	735,000	421,303
2019			670,000	228,308	1,025,000	384,553
2020			900,000	193,808	635,000	333,303
2021			900,000	159,603	660,000	306,633
2022			985,000	124,953	690,000	278,913
2023			1,075,000	86,538	715,000	249,933
2024			1,075,000	43,538	745,000	219,903
2025					780,000	187,868
2026					810,000	154,328
2027					850,000	119,093
2028					890,000	81,693
2029					925,000	42,088
	<u>\$1,422,327</u>	<u>\$ 657,673</u>	<u>\$6,930,000</u>	<u>\$3,079,726</u>	<u>\$10,180,000</u>	<u>\$5,835,422</u>

Series 2009B		Totals		
April 15, 2009 3.00% to 5.00%				
January 1				
July 1 and January 1				
\$ 14,905,000		\$79,572,327		
<u>1,835,000</u>		<u>10,660,000</u>		
<u>\$ 13,070,000</u>		<u>\$68,912,327</u>		
Principal	Interest	Principal	Interest	Totals
\$ 955,000	\$ 462,593	\$ 4,285,000	\$ 2,788,055	\$ 7,073,055
1,025,000	433,943	4,530,000	2,646,703	7,176,703
1,440,000	403,193	4,655,000	2,493,092	7,148,092
1,670,000	352,793	4,960,000	2,304,388	7,264,388
2,275,000	294,343	5,047,672	2,242,263	7,289,935
975,000	214,718	5,105,125	2,067,288	7,172,413
1,045,000	180,593	5,302,496	1,868,761	7,171,257
1,360,000	145,063	5,042,034	1,773,228	6,815,262
1,500,000	96,103	5,280,000	1,343,286	6,623,286
610,000	39,853	3,850,000	1,104,519	4,954,519
35,000	9,353	3,300,000	932,597	4,232,597
40,000	7,830	3,175,000	789,836	3,964,836
45,000	6,090	3,405,000	650,836	4,055,836
45,000	4,133	3,540,000	500,159	4,040,159
50,000	2,175	2,590,000	339,431	2,929,431
		1,480,000	212,903	1,692,903
		1,550,000	149,193	1,699,193
		890,000	81,693	971,693
		925,000	42,088	967,088
<u>\$13,070,000</u>	<u>\$2,652,776</u>	<u>\$68,912,327</u>	<u>\$24,330,319</u>	<u>\$93,242,646</u>

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STATISTICAL SECTION



STATISTICAL SECTION

The objective of this part of the City of Kankakee's Comprehensive Annual Financial Report is to provide financial statement users with additional historical perspective, context, and detail. It is intended that the information in the financial statements, notes to financial statements, required supplementary information, and the statistical section, taken as a whole, will assist readers in further understanding and assessing the City's economic condition.

<u>Contents</u>	<u>Page(s)</u>
(A) <u>Financial Trends</u> These schedules contain trend information that indicates how the City's financial performance has changed over time.	122-126
(B) <u>Revenue Capacity</u> These schedules provide information on one of the City's most significant and locally controlled revenue sources, the property tax.	127-130
(C) <u>Debt Capacity</u> These schedules provide information about the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	131-133
(D) <u>Demographic and Economic Information</u> These schedules offer demographic and economic indicators about the environment within which the City operates. This information is intended to facilitate comparisons of the City's finances over time and among other cities.	134-135
(E) <u>Operating Information</u> These schedules contain service and infrastructure data related to the services the City provides and the activities it performs.	136-138

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in Fiscal Year 2004; schedules presenting government-wide data include information beginning in that year.

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CITY OF KANKAKEE, ILLINOIS
NET ASSETS BY COMPONENT (Unaudited)
Fiscal Years Ended April 30, 2004 to 2010
(accrual basis of accounting)
(amounts expressed in millions)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental Activities							
Invested in capital assets, net of related debt	\$ 27.5	\$ 29.1	\$ 32.3	\$ 36.9	\$ 40.7	\$ 45.3	\$ 43.7
Restricted	4.9	9.4	6.9	9.8	8.9	10.8	6.3
Unrestricted	<u>(28.2)</u>	<u>(32.0)</u>	<u>(29.0)</u>	<u>(31.8)</u>	<u>(33.6)</u>	<u>(47.5)</u>	<u>(40.6)</u>
Total governmental activities net assets	<u>\$ 4.3</u>	<u>\$ 6.5</u>	<u>\$ 10.2</u>	<u>\$ 14.9</u>	<u>\$ 15.9</u>	<u>\$ 8.6</u>	<u>\$ 9.4</u>
Business-type activities							
Invested in capital assets, net of related debt	\$ 18.5	\$ 22.5	\$ 22.4	\$ 22.0	\$ 22.0	\$ 24.9	\$ 21.3
Restricted	2.2	2.2	2.8	1.7	1.1	2.2	1.4
Unrestricted	<u>7.8</u>	<u>4.0</u>	<u>3.2</u>	<u>3.6</u>	<u>3.7</u>	<u>2.6</u>	<u>5.5</u>
Total business-type activities net assets	<u>\$ 28.4</u>	<u>\$ 28.7</u>	<u>\$ 28.4</u>	<u>\$ 27.4</u>	<u>\$ 26.8</u>	<u>\$ 29.7</u>	<u>\$ 28.2</u>
Primary government							
Invested in capital assets, net of related debt	\$ 45.9	\$ 51.6	\$ 54.7	\$ 58.9	\$ 62.7	\$ 70.2	\$ 65.0
Restricted	7.1	11.7	9.7	11.5	10.0	13.0	7.7
Unrestricted	<u>(20.4)</u>	<u>(28.0)</u>	<u>(25.8)</u>	<u>(28.1)</u>	<u>(29.9)</u>	<u>(44.9)</u>	<u>(35.2)</u>
Total primary government net assets	<u>\$ 32.7</u>	<u>\$ 35.2</u>	<u>\$ 38.7</u>	<u>\$ 42.3</u>	<u>\$ 42.8</u>	<u>\$ 38.4</u>	<u>\$ 37.6</u>

Source: Audited Financial Statements

Note: There may be some slight differences in totals due to rounding.

CITY OF KANKAKEE, ILLINOIS
CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES (Unaudited)
Fiscal Years Ended April 30, 2004 to 2010
(accrual basis of accounting)
(amounts expressed in millions)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Program Revenues							
Charges for services:							
General government	\$ 1.6	\$ 1.4	\$ 1.1	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.2
Public safety	0.9	0.8	1.0	1.0	0.5	0.6	0.6
Public works	0.3	0.5	0.3	0.3	0.2	0.4	0.6
Community development	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Operating grants and contributions	2.7	4.0	2.9	2.8	3.5	4.0	3.4
Capital grants and contributions	0.1	1.1	2.0	2.9	6.9	0.7	4.3
Total program revenues	<u>5.5</u>	<u>8.0</u>	<u>7.4</u>	<u>8.3</u>	<u>12.5</u>	<u>7.0</u>	<u>10.2</u>
Expenses							
General government	4.9	5.1	6.0	6.7	6.2	8.6	8.3
Public safety	11.3	11.7	12.5	13.1	13.6	14.2	16.1
Public works	2.1	2.1	2.2	2.1	2.5	3.6	2.4
Highways and streets	0.9	2.6	3.3	1.7	7.2	2.2	3.3
Community development	2.0	2.7	1.4	1.5	1.8	2.5	1.9
Culture and recreation	0.1	0.1	0.1	0.1	0.1	0.3	0.1
Economic development	6.8	0.7	1.4	0.5	23.5	18.8	16.5
Interest and fiscal charges	2.5	2.0	2.2	2.1	2.3	2.8	2.8
Total expenses	<u>30.7</u>	<u>26.8</u>	<u>29.1</u>	<u>27.8</u>	<u>57.1</u>	<u>53.2</u>	<u>51.5</u>
Net revenue (expense)	<u>\$ (25.2)</u>	<u>\$ (18.8)</u>	<u>\$ (21.7)</u>	<u>\$ (19.5)</u>	<u>\$ (44.6)</u>	<u>\$ (46.2)</u>	<u>\$ (41.3)</u>
General Revenues and Other Changes in Net Assets							
Property taxes	\$ 8.6	\$ 8.5	\$ 9.8	\$ 9.7	\$ 10.7	\$ 11.4	\$ 12.1
Special assessments						0.3	0.3
Illinois retailers' tax, net	4.3	5.3	6.2	6.0	26.6	24.4	21.1
Utility taxes	3.2	3.3	3.3	3.3	3.5	3.4	3.4
Other taxes	2.4	2.7	3.1	3.4	3.8	3.6	3.1
Intergovernmental, not restricted to specific programs	0.8	0.1	0.1	0.1	0.1	0.1	0.1
Investment income	0.1	0.2	0.6	0.9	0.9	0.4	0.1
Other	0.4	0.2	0.2	0.1	0.1	0.3	0.4
Contributions from developers		0.7	1.6				
Transfers	(0.3)	0.2	0.9	0.7		(4.9)	1.5
Total general revenues and other changes	<u>19.5</u>	<u>21.1</u>	<u>25.8</u>	<u>24.2</u>	<u>45.6</u>	<u>38.9</u>	<u>42.1</u>
Total change in net assets	<u>\$ (5.6)</u>	<u>\$ 2.3</u>	<u>\$ 4.1</u>	<u>\$ 4.7</u>	<u>\$ 1.1</u>	<u>\$ (7.3)</u>	<u>\$ 0.8</u>

Note: There may be some slight differences in totals due to rounding.

CITY OF KANKAKEE, ILLINOIS
CHANGE IN NET ASSETS - BUSINESS-TYPE ACTIVITIES
AND TOTAL PRIMARY GOVERNMENT
Fiscal Years Ended April 30, 2004 to 2010
(accrual basis of accounting)
(amounts expressed in millions)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Business-Type Activities							
Revenues:							
Charges for services	\$ 7.9	\$ 8.3	\$ 8.3	\$ 8.4	\$ 8.8	\$ 10.0	\$ 10.0
Operating grants and contributions				0.1			
Total revenues	<u>7.9</u>	<u>8.3</u>	<u>8.3</u>	<u>8.5</u>	<u>8.8</u>	<u>10.0</u>	<u>10.0</u>
Expenses	<u>8.8</u>	<u>9.1</u>	<u>8.9</u>	<u>8.9</u>	<u>9.6</u>	<u>12.2</u>	<u>10.2</u>
Net business-type revenues (expenses)	<u>(0.8)</u>	<u>(0.8)</u>	<u>(0.6)</u>	<u>(0.5)</u>	<u>(0.8)</u>	<u>(2.2)</u>	<u>(0.1)</u>
Other income and changes in net assets:							
Investment income		0.1	0.1	0.1	0.1		
Other	1.9	0.2	1.7		0.1		
Contributions from developers	2.5	1.0					
Transfers	<u>0.3</u>	<u>(0.2)</u>	<u>(0.9)</u>	<u>(0.7)</u>		<u>4.9</u>	<u>(1.5)</u>
Total other income and changes in net assets	<u>4.8</u>	<u>1.1</u>	<u>1.0</u>	<u>(0.6)</u>	<u>0.3</u>	<u>4.9</u>	<u>(1.5)</u>
Total change in net assets	<u>\$ 3.9</u>	<u>\$ 0.2</u>	<u>\$ 0.3</u>	<u>\$ (1.1)</u>	<u>\$ (0.5)</u>	<u>\$ 2.8</u>	<u>\$ (1.6)</u>
Total Primary Government							
Program revenues	\$ 13.5	\$ 16.3	\$ 15.7	\$ 16.8	\$ 21.4	\$ 17.0	\$ 20.2
Expenses	<u>(39.5)</u>	<u>(35.9)</u>	<u>(38.1)</u>	<u>(36.7)</u>	<u>(66.7)</u>	<u>(65.4)</u>	<u>(61.6)</u>
Net revenues (expenses)	<u>(26.0)</u>	<u>(19.7)</u>	<u>(22.3)</u>	<u>(20.0)</u>	<u>(45.3)</u>	<u>(48.4)</u>	<u>(41.4)</u>
General revenues and other changes in net assets	<u>24.3</u>	<u>22.2</u>	<u>26.8</u>	<u>23.6</u>	<u>45.9</u>	<u>43.8</u>	<u>40.6</u>
Total change in net assets	<u>\$ (1.7)</u>	<u>\$ 2.5</u>	<u>\$ 4.4</u>	<u>\$ 3.6</u>	<u>\$ 0.6</u>	<u>\$ (4.6)</u>	<u>\$ (0.8)</u>

Source: Audited Financial Statements

Note: There may be some slight differences in totals due to rounding.

CITY OF KANKAKEE, ILLINOIS
FUND BALANCES - GOVERNMENTAL FUNDS (Unaudited)
Fiscal Years Ended April 30, 2004 to 2010
(accrual basis of accounting)
(amounts expressed in thousands)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund							
Reserved	\$ 409	\$ 490	\$ 514	\$ 599	\$ 815	\$ 933	\$ 516
Unreserved	<u>2,216</u>	<u>2,087</u>	<u>2,566</u>	<u>2,646</u>	<u>2,290</u>	<u>1,272</u>	<u>473</u>
Total General Fund	<u>\$ 2,625</u>	<u>\$ 2,577</u>	<u>\$ 3,080</u>	<u>\$ 3,245</u>	<u>\$ 3,105</u>	<u>\$ 2,205</u>	<u>\$ 989</u>
All Other Governmental Funds							
Reserved, reported in:							
Capital projects fund	\$ 1,556	\$ 5,935	\$ 3,514	\$ 7,379	\$ 5,385	\$ 7,851	\$ 4,385
Special revenue funds	1,562	2,001	2,242	1,816	2,539	1,943	1,638
Debt service funds	1,829	1,501	1,175	656	936	1,027	292
Unreserved, reported in:							
Special revenue funds	1,496	1,243	860	405	1,730	703	332
Debt service funds	<u>(21)</u>	<u>(34)</u>					
Total, all other governmental funds	<u>\$ 6,422</u>	<u>\$ 10,646</u>	<u>\$ 7,791</u>	<u>\$ 10,256</u>	<u>\$ 10,589</u>	<u>\$ 11,524</u>	<u>\$ 6,648</u>
Total, all governmental funds	<u>\$ 9,047</u>	<u>\$ 13,223</u>	<u>\$ 10,871</u>	<u>\$ 13,501</u>	<u>\$ 13,694</u>	<u>\$ 13,729</u>	<u>\$ 7,637</u>

Source: Audited Financial Statements

Note: There may be some slight differences in totals due to rounding

CITY OF KANKAKEE, ILLINOIS
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (Unaudited)
Fiscal Years Ended April 30, 2004 to 2010
(modified accrual basis of accounting)
(amounts expressed in thousands)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues							
Taxes	\$ 18,527	\$ 19,820	\$ 22,400	\$ 22,477	\$ 44,585	\$ 42,856	\$ 39,752
Special assessments						258	269
Licenses, fees and permits	1,613	1,358	1,351	1,530	1,070	1,122	1,229
Intergovernmental	3,546	5,046	4,823	4,720	7,865	4,694	3,640
Charges for services	527	900	694	611	528	742	820
Fines and penalties	693	752	552	490	538	450	411
Investment earnings	80	160	632	857	949	362	138
Other revenues	407	290	341	200	94	297	660
Total revenues	<u>\$ 25,393</u>	<u>\$ 28,327</u>	<u>\$ 30,794</u>	<u>\$ 30,886</u>	<u>\$ 55,629</u>	<u>\$ 50,779</u>	<u>\$ 46,919</u>
Expenditures							
General government	\$ 4,696	\$ 5,440	\$ 6,519	\$ 7,092	\$ 9,050	\$ 8,227	\$ 7,584
Public safety	11,232	11,883	12,415	13,021	14,175	22,819	16,024
Public works	2,142	2,020	2,155	2,141	2,709	3,542	2,599
Highways and streets	1,011	2,911	5,002	3,771	7,651	4,048	2,771
Community development	2,011	2,605	1,401	1,416	2,251	2,500	1,893
Culture and recreation	61	62	58	59	62	310	65
Economic development	4,071	687	1,415	475	24,203	18,816	16,524
Debt Service:							
Principal retirement	5,085	2,506	2,841	2,895	3,260	3,922	4,223
Interest and fiscal charges	1,907	1,998	2,198	3,966	2,332	3,393	2,740
Total expenditures	<u>\$ 32,216</u>	<u>\$ 30,111</u>	<u>\$ 34,004</u>	<u>\$ 34,836</u>	<u>\$ 65,693</u>	<u>\$ 67,578</u>	<u>\$ 54,423</u>
Other Financing Sources (Uses)							
Proceeds from borrowing	\$ 16,770	\$ 6,355		\$ 5,813	\$ 10,280	\$ 17,578	
Proceeds from refunding	8,050	3,160		4,285		15,128	
Payments to escrow agent	(7,946)	(3,136)		(4,372)		(10,987)	
Proceeds from disposal of capital assets				142			
Transfers in	3,795	1,878	\$ 2,888	4,099	4,037	4,696	\$ 4,366
Transfers out	(7,472)	(1,673)	(2,030)	(3,386)	(4,051)	(9,628)	(2,908)
Total other financing sources (uses)	<u>\$ 13,197</u>	<u>\$ 6,584</u>	<u>\$ 858</u>	<u>\$ 6,580</u>	<u>\$ 10,266</u>	<u>\$ 16,788</u>	<u>\$ 1,457</u>
Net change in fund balances	<u>\$ 6,375</u>	<u>\$ 4,800</u>	<u>\$ (2,352)</u>	<u>\$ 2,630</u>	<u>\$ 202</u>	<u>\$ (11)</u>	<u>\$ (6,047)</u>
Capital Outlay (included in expenditures above)	<u>\$ 1,409</u>	<u>\$ 2,338</u>	<u>\$ 3,972</u>	<u>\$ 4,344</u>	<u>\$ 6,688</u>	<u>\$ 12,239</u>	<u>\$ 1,600</u>
Debt service as a percentage of non-capital expenditures	<u>22.7%</u>	<u>16.2%</u>	<u>16.8%</u>	<u>22.5%</u>	<u>9.5%</u>	<u>13.2%</u>	<u>13.2%</u>

Source: Audited Financial Statements

Note: There may be some slight differences in totals due to rounding.

CITY OF KANKAKEE, ILLINOIS
ASSESSED VALUATION AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (UNAUDITED)
LEVY YEARS 2000 - 2009

Levy Year	Residential	Commercial	Industrial	Farm	Railroad	Valuation, City of Kankakee		Ratio, Assessed/ Actual
						Assessed	Actual	
2009	\$ 182,470,050	\$83,328,334	\$ 21,645,339	\$427,774	\$ 1,682,103	\$ 289,553,600	\$868,660,800	33.3%
2008	183,736,732	81,297,766	20,377,225	467,203	1,381,705	287,260,631	861,781,893	33.3%
2007	181,231,972	79,317,207	22,242,453	481,694	1,135,044	284,408,370	853,225,110	33.3%
2006	168,328,634	75,596,355	20,812,689	483,254	1,090,206	266,311,138	798,933,414	33.3%
2005	153,858,874	70,978,107	20,782,574	482,506	1,065,782	247,167,843	741,503,529	33.3%
2004	138,098,922	68,246,503	21,439,393	488,177	1,203,251	229,476,246	688,428,738	33.3%
2003	140,737,615	64,576,073	21,167,724	505,454	1,366,946	228,353,812	685,061,436	33.3%
2002	138,201,636	64,106,550	21,289,432	478,488	1,369,432	225,445,538	676,336,614	33.3%
2001	133,996,738	63,390,332	20,627,505	507,987	1,344,350	219,866,912	659,600,736	33.3%
2000	127,561,655	63,892,456	19,260,964	336,545	1,326,195	212,377,815	637,133,445	33.3%

Source: Office of the Kankakee County Clerk

Note: State law prescribes an assessment ratio of 33% of actual value.

Note: There may be some slight differences in totals due to rounding.

CITY OF KANKAKEE, ILLINOIS
PROPERTY TAX RATES - PER \$100 ASSESSED VALUATION, DIRECT AND OVERLAPPING GOVERNMENT (UNAUDITED)
LEVY YEARS 2000 - 2009

LEVY YEAR	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
City Direct Rates										
General Fund:										
General Corporate	\$0.000	\$0.000	\$0.010	\$0.010	\$0.010	\$0.009	\$0.009	\$0.008	\$0.008	\$0.008
Fire Protection	0.103	0.099	0.108	0.106	0.107	0.098	0.092	0.087	0.087	0.086
Police Protection	0.080	0.076	0.083	0.082	0.082	0.076	0.071	0.067	0.067	0.067
Firemen's Pension	0.303	0.384	0.426	0.473	0.523	0.482	0.510	0.511	0.547	0.797
Police Pension	0.228	0.268	0.342	0.412	0.460	0.461	0.461	0.484	0.501	0.699
School Crossing Guard	0.013	0.012	0.013	0.012	0.013	0.012	0.011	0.010	0.010	0.010
Liability Insurance	0.343	0.328	0.460	0.454	0.455	0.421	0.378	0.371	0.370	0.369
Audit	0.015	0.014	0.015	0.015	0.016	0.015	0.014	0.013	0.013	0.013
Debt Service	1.271	1.370	1.169	1.248	1.421	1.377	1.509	1.465	1.550	1.812
Total General Fund	\$2.356	\$2.551	\$2.626	\$2.812	\$3.087	\$2.951	\$3.055	\$3.016	\$3.153	\$3.861
Special Revenue Funds:										
Civil Defense										
Parks	\$0.020	\$0.019	\$0.018	\$0.017	\$0.017	\$0.016	\$0.015	\$0.014	\$0.014	\$0.014
Band	0.007	0.007	0.007	0.007	0.007	0.006	0.006	0.006	0.006	0.006
IMRF	0.259	0.247	0.241	0.238	0.239	0.220	0.207	0.194	0.203	0.280
Library	0.254	0.264	0.276	0.619	0.573	0.542	0.523	0.578	0.621	0.624
Total Special Revenue Funds	\$0.540	\$0.537	\$0.542	\$0.881	\$0.836	\$0.784	\$0.751	\$0.792	\$0.844	\$0.924
Total City Direct Rate	\$2.896	\$3.088	\$3.168	\$3.693	\$3.923	\$3.735	\$3.806	\$3.808	\$3.997	\$4.785
Special District and Overlapping Unit Rates:										
Special Service Area No 1	\$2.000	\$2.000	\$2.000	\$2.000	\$2.000	\$1.986	\$1.963	\$2.000	\$2.000	\$2.000
Special Service Area No 2	0.053	0.051	0.050	0.048	0.047	0.047	0.043	0.041	0.039	0.040
Special Service Area No 3				1.249	1.198	1.087	1.008	0.947	0.952	0.083
Special Service Area No 5							0.300	0.300	0.300	0.300
Kankakee Township (including Road & Bridge)	0.573	0.559	0.550	0.551	0.536	0.515	0.508	0.494	0.511	0.515
School District No 111	4.667	4.613	4.577	4.620	4.664	4.455	4.320	4.196	4.294	4.319
Kankakee Valley Airport Authority	0.061	0.064	0.056	0.051	0.049	0.045	0.043	0.039	0.039	0.038
Kankakee Valley Park District	0.580	0.566	0.564	0.568	0.577	0.549	0.531	0.511	0.518	0.519
Kankakee County Forest Preserve District	0.058	0.059	0.060	0.060	0.060	0.058	0.056	0.054	0.056	0.057
Kankakee County	0.881	0.877	0.874	0.881	0.881	0.842	0.833	0.833	0.816	0.807
Kankakee Community College Dist #520	0.208	0.238	0.280	0.311	0.304	0.320	0.348	0.381	0.377	0.384
Total Overlapping Units	\$9.081	\$9.027	\$9.011	\$10.339	\$10.316	\$9.904	\$9.953	\$9.796	\$9.902	\$9.062
Overall Tax Rate	\$11.977	\$12.115	\$12.179	\$14.032	\$14.239	\$13.639	\$13.759	\$13.604	\$13.899	\$13.847

Note: Each taxing unit levies a total dollar amount. The rate is then determined by the County by dividing the levy by the taxable equalized assessed value of the property within each taxing unit's district.

Source: Tax bills for respective years

Note: There may be some slight differences in totals due to rounding.

CITY OF KANKAKEE
PRINCIPAL PROPERTY TAXPAYERS (UNAUDITED)
LEVY YEARS 2000 AND 2009 (10 YEARS PRIOR AND CURRENT LEVY YEAR)

<u>Taxpayer</u>	<u>Levy Year 2000</u>			<u>Levy Year 2009</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Cognis Corporation	\$ 5,426,273	1	2.56%	\$ 4,985,291	1	1.74%
Walmart				3,658,733	2	1.27%
Great Oak LLC	4,394,225	2	2.07%	3,331,940	3	1.16%
Armstrong World Industries, Inc.	2,775,764	4	1.31%	2,989,678	4	1.04%
Riverstone Hotel Partners LLC				2,878,702	5	1.00%
Riverside Senior Living Center	2,821,979	3	1.33%	2,849,634	6	0.99%
Riverwoods Association	2,584,353	6	1.22%	2,609,679	7	0.91%
Provena Properties (Med Centers)				2,702,837	8	0.94%
Space Center Chicago, Inc.	2,665,572	5	1.26%	2,557,311	9	0.89%
Rohm & Haas (Cor Unum)	<u>1,938,391</u>	7	<u>0.91%</u>	<u>2,169,030</u>	10	<u>0.76%</u>
Total	<u>\$ 22,606,557</u>		<u>10.64%</u>	<u>\$ 30,732,835</u>		<u>10.70%</u>
Total EAV	<u>\$ 212,377,815</u>			<u>\$ 287,260,631</u>		

Source: Kankakee County Treasurer

CITY OF KANKAKEE, ILLINOIS
PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)
LEVY YEARS 2000 - 2009

<u>Tax Levy Year</u>	<u>Taxes Levied for the Fiscal Year</u>		<u>Collected within the Fiscal Year of the Levy</u>	
			<u>Amount</u>	<u>Percentage of Levy</u>
2009	\$	12,436,212		
2008		10,438,232	\$ 10,325,580	98.9%
2007		10,015,994	9,822,065	98.1%
2006		9,432,477	9,238,993	97.9%
2005		8,702,452	8,714,051	100.1%
2004		8,488,900	8,397,370	98.9%
2003		7,980,341	7,941,490	99.5%
2002		6,728,350	6,657,443	98.9%
2001		6,394,665	6,303,637	98.6%
2000		5,772,748	5,705,607	98.8%

Property taxes levied during the current fiscal year are not extended and/or collected until the subsequent fiscal year. Therefore, no property taxes are collected for the most recent tax levy year at the close of the current fiscal year.

Property taxes not paid at the time of the payment deadline are sold by the County Treasurer at auction. The proceeds from the sale of the unpaid taxes are remitted by the County to the City by the end of each calendar year. Therefore, there are no tax collections for subsequent years. The property owners then have two years to purchase the taxes back through the County before title to the property passes to the holder of the paid taxes.

The County Clerk rounds the levy to assure the full levy is extended. Periodically, this results in property tax collections slightly greater than 100% for a particular levy year.

CITY OF KANKAKEE, ILLINOIS
OUTSTANDING DEBT (PRINCIPAL AND INTEREST) BY TYPE AND LEGAL DEBT MARGIN (Unaudited)
Fiscal Years Ended April 30, 2001 to 2010

Fiscal Year Ended	Governmental Activities		Business-type Activities			Total Primary Government	Total Debt per Capita	Total Debt as a % of Personal Income
	General Obligation Bonds (A)	Installment Loans (B)	Revenue Bonds (C)	Installment Loans (D)	Total Business- type (C+D+E)	(A+B+E)		
2010	\$68,912,327	\$3,166,333	\$ 6,795,000		\$ 6,795,000	\$ 78,873,660	\$ 2,869	18.5%
2009	72,817,327	3,484,556	2,970,000		2,970,000	79,271,883	2,884	18.6%
2008	55,097,327	3,660,534	7,545,000		7,545,000	66,302,861	2,412	15.6%
2007	51,455,000	359,319	8,075,000		8,075,000	59,889,319	2,179	14.1%
2006	50,620,000	444,500	8,585,000		8,585,000	59,649,500	2,170	14.0%
2005	53,110,000	703,023	9,075,000		9,075,000	62,888,023	2,288	14.8%
2004	49,165,000	733,086	9,545,000		9,545,000	59,443,086	2,162	14.0%
2003	34,295,000	2,893,657	9,995,000	\$ 3,931	9,998,931	47,187,588	1,716	11.1%
2002	36,385,000	625,000	10,425,000	10,681	10,435,681	47,445,681	1,726	11.1%
2001	39,640,000	760,000	6,665,000	17,074	6,682,074	47,082,074	1,713	11.1%

COMPUTATION OF LEGAL DEBT MARGIN

The City of Kankakee, Illinois is a "Home Rule" unit as established by the 1970 Illinois Constitution. As a Home Rule Community, no statutory debt limit exists.

CITY OF KANKAKEE, ILLINOIS
RATIOS OF GENERAL OBLIGATION DEBT OUTSTANDING (Unaudited)
Fiscal Years Ended April 30, 2001 to 2010

<u>Fiscal Year Ended</u>	<u>GO Bonds</u>	<u>GO Debt Per Capita</u>	<u>GO Debt as a % of Personal Income</u>	<u>GO Debt as a % of Actual Property EAV</u>	<u>GO Debt as a % of Actual Property Value</u>	<u>Revenue Coverage, Utility Bonds</u>
2010	\$ 68,912,327	\$ 2,507	16.2%	23.8%	7.9%	3.49
2009	72,817,327	2,649	17.1%	25.3%	8.4%	1.17
2008	55,097,327	2,004	12.9%	19.4%	6.5%	1.36
2007	51,455,000	1,872	12.1%	19.3%	6.4%	1.31
2006	50,620,000	1,841	11.9%	20.5%	6.8%	0.99
2005	53,110,000	1,932	12.5%	23.1%	7.7%	0.74
2004	49,165,000	1,788	11.6%	21.5%	7.2%	0.71
2003	34,295,000	1,247	8.1%	15.2%	5.1%	0.46
2002	36,385,000	1,324	8.6%	16.5%	5.5%	1.62
2001	39,640,000	1,442	9.3%	18.7%	6.2%	2.43

Population and personal income from Table D-1

Source of revenue coverage calculation: City records

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF DIRECT AND OVERLAPPING DEBT (Unaudited)
April 30, 2010

<u>Jurisdiction</u>	<u>Outstanding Debt</u>	<u>Estimate Applicable to City</u>	
		<u>Percent</u>	<u>Amount</u>
Direct			
City of Kankakee ⁽¹⁾	\$ 45,382,328	100.00%	\$ 45,382,328
Overlapping ⁽²⁾			
Kankakee School District No. 111	15,906,098	66.26%	10,539,381
Herscher School District No. 2	10,500,000	0.38%	39,900
Kankakee Valley Airport Authority	245,000	35.80%	87,710
Kankakee Valley Park District	-	66.60%	-
Bradley School District No. 61	840,000	4.44%	37,296
Bradley-Bourbonnais High School District No. 307	14,610,000	1.38%	201,618
Clifton School District No. 4	11,373,792	1.13%	128,524
Bourbonnais Park District	3,300,000	1.52%	50,160
Kankakee Community College District No. 520	9,410,000	11.19%	1,052,979
Kankakee County	5,355,000	13.26%	710,073
Total Overlapping Debt	71,539,890		12,847,641
Total Net Direct and Overlapping Debt	\$ 116,922,218		\$ 58,229,969

2009 Equalized Assessed Valuation (EAV)	\$ 289,553,600
2009 Estimated Full Valuation	\$ 868,660,800
Population - Current Estimate	27,491
Full Valuation per Capita	\$ 31,598

<u>Debt Ratios</u>			
	<u>% EAV</u>	<u>% Full Value</u>	<u>Per Capita</u>
Net Direct Debt: \$ 45,382,328	15.67%	5.22%	\$ 1,651
Net Direct and Overlapping Debt: \$ 58,229,969	20.11%	6.70%	\$ 2,118

(1) Net direct debt is exclusive of self-supporting debt

(2) Debt information current to April 2010; overlapping info current to 2009 tax year

CITY OF KANKAKEE, ILLINOIS
DEMOGRAPHIC AND ECONOMIC STATISTICS (Unaudited)
Fiscal Years Ended April 30, 2001 to 2010

<u>Fiscal Year Ended</u>	<u>Population</u>	<u>Per Capita Personal Income</u>	<u>Total Personal Income</u>	<u>Unemployment Rate</u>
2010	27,491	\$ 15,479	\$ 425,533,189	16.4%
2009	27,491	15,479	425,533,189	15.6%
2008	27,491	15,479	425,533,189	12.0%
2007	27,491	15,479	425,533,189	8.8%
2006	27,491	15,479	425,533,189	7.9%
2005	27,491	15,479	425,533,189	10.1%
2004	27,491	15,479	425,533,189	11.7%
2003	27,491	15,479	425,533,189	12.7%
2002	27,491	15,479	425,533,189	11.9%
2001	27,491	15,479	425,533,189	9.5%

CITY OF KANKAKEE, ILLINOIS
LARGEST REGIONAL EMPLOYERS (Unaudited)
Fiscal Years Ended April 30, 2001 and April 30, 2010

<u>Employer</u>	2001			2010		
	<u>Number of Employees</u>	<u>Rank</u>	<u>% of Total City Population</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>% of Total City Population</u>
Riverside Healthcare	1,475	1	5.4%	2,130	1	7.7%
Shapiro Developmental Center	1,375	2	5.1%	1,300	2	4.7%
St. Mary's Hospital (Provena)	1,020	4	3.7%	974	3	3.5%
CIGNA (Connecticut General Insurance)	400	11	1.5%	840	4	3.1%
Kankakee School District No. 111	680	6	2.5%	760	5	2.8%
Baker & Taylor Company ¹				725	6	2.6%
CSL Behring	1,040	3	3.8%	725	7	2.6%
Kankakee County Government	430	10	1.6%	536	8	1.9%
Kankakee Community College	513	9	1.9%	460	9	1.7%
Olivet Nazarene University ¹				450	10	1.6%
Sears Logistics Services	724	5	2.7%	388	11	1.4%
Van Drunen Farms ¹				370	12	1.3%
Armstrong World Industries, Inc.	370	13	1.4%	367	13	1.3%
City of Kankakee	373	12	1.4%	338	14	1.2%
Illinois Veterans' Home ¹				316	15	1.1%
Total	<u>8,400</u>		<u>30.9%</u>	<u>10,679</u>		<u>38.8%</u>

¹Employer was not in top 15 in calendar 2001

Source: Kankakee Regional Chamber of Commerce, July 2010
City of Kankakee records for calendar 2001

CITY OF KANKAKEE, ILLINOIS
FULL-TIME EQUIVALENT EMPLOYEES (Unaudited)
Fiscal Years Ended April 30, 2001 to 2010

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Government										
Mayor and Council	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0
Affirmative Action/Personnel	1.0	1.0	1.0	1.0	1.5	1.5	1.5	1.5	1.5	1.5
Clerk	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.0	3.0
Finance/Central Services										
Accounting	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Billing and Collections	2.0	2.0	2.0	1.0	1.0	1.5	1.5	1.5	1.5	1.5
Legal										
Counsel and Legal	1.5	1.5	1.5	1.5	2.0	2.0	2.0	2.0	2.0	2.0
Adjudication	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.0	2.0
Senior Aides	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Building Maintenance	2.0	3.0								
Public Safety										
Police										
Officers	74.0	74.0	73.0	71.0	70.0	70.0	73.0	73.0	74.0	74.0
Civilians	25.0	25.0	14.0	15.0	15.0	15.0	15.0	15.0	13.0	13.0
Fire										
Firefighters and Officers	50.0	50.0	50.0	50.0	50.0	51.0	52.0	52.0	58.0	58.0
Civilians	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Code	17.0	17.0	17.0	15.0	15.0	16.0	16.0	16.0	15.0	15.0
Planning	1.0	1.0	1.0							
Animal Control	1.0	1.0								
Engineering	1.0									
Public Works										
Administration	3.0	3.0	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0
Garage	2.0	2.0	2.0	2.0	2.0	2.0	4.0	4.0	4.0	4.0
Streets and Alleys	10.0	10.0	10.0	10.0	10.0	10.0	19.0	21.0	21.0	21.0
Parks	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Community Development Agency	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	9.0	9.0
Sewer Utility										
Administration and clerical	8.0	7.0	8.0	8.0	7.0	4.0	4.0	4.0	3.0	3.0
Lab	6.0	5.0	6.0	6.0	6.0	6.0	6.0	6.0	5.0	5.0
Sewer services	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	9.0	9.0
Technical services	5.0	4.0	4.0	4.0	4.0	4.0	5.0	5.0	11.0	11.0
Building maintenance	2.0	2.0	3.0	4.0	4.0	4.0	2.0	2.0	2.0	2.0
Plant operations and maintenance	8.0									
Total	<u>267.0</u>	<u>256.0</u>	<u>242.0</u>	<u>238.0</u>	<u>237.0</u>	<u>237.5</u>	<u>251.5</u>	<u>253.5</u>	<u>262.0</u>	<u>262.0</u>

Source: City records

Note: There may be some slight differences in totals due to rounding.

CITY OF KANKAKEE, ILLINOIS
OPERATING INDICATORS (Unaudited)
Fiscal Years Ended April 30, 2001 to April 30, 2010

<u>Function/Program</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Public Safety										
Police										
Total arrests	3,016	3,055	3,039	2,809	2,478	2,633	2,575	3,750	2,366	2,366
Traffic citations	4,939	5,834	5,778	7,670	7,328	3,459	4,265	6,983	5,279	5,279
Fire										
Fire runs	1,585	1,401	1,330	2,232	2,378	2,479	2,643	2,564	2,727	2,328
Structure fires	100	125	79	102	94	123	124	114	144	173
EMS calls	3,052	3,221	3,127	3,314	3,371	3,394	3,445	3,755	3,723	3,768
Public Works										
Refuge collected (cu. yds)						19,627	22,718	22,718	22,718	19,005
Brush collected/processed (cu. yds.)						13,238	19,411	19,411	19,411	12,895
Wastewater										
Number of customers										
Residential and commercial	8,550	8,461	8,459	8,433	8,383	8,337	8,302	8,162	8,043	7,907
Industrial and institutional	49	47	47	42	38	38	33	36	40	40
Sewer charges (amounts expressed in thousands)										
Residential	\$2,453	\$2,326	\$2,437	\$2,397	\$2,436	\$2,558	\$2,525	\$2,516	\$2,737	\$3,222
Industrial	\$3,958	\$4,256	\$4,152	\$3,816	\$4,197	\$3,979	\$4,130	\$4,714	\$4,372	\$4,729
Treatment capacity (MGPD)	17	17	17	17	16	15	14	14	14	14
Present Load (MGPD)	10	10	9	9	9	8	8	8	8	8

Source: City records

CITY OF KANKAKEE, ILLINOIS
CAPITAL ASSET STATISTICS (Unaudited)
Fiscal Years Ended April 30, 2001 to April 30, 2010

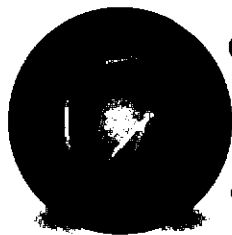
<u>Function/Program</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	24	24	24	24	24	24	24	24	25	25
Fire										
Stations	6	6	6	6	6	6	6	6	7	7
Front-line apparatus	6	6	6	6	6	6	6	6	7	7
Public works										
Streets (miles)				248	249	254	256	270	270	270
Alleys (miles)				113	113	113	113	113	113	113
Bridges				17	17	17	17	17	17	17
Sidewalks (miles)				219	219	221	222	222	222	222
Streetlights				135	135	180	192	192	192	192
Traffic signals (intersections)				9	9	9	33	33	33	33
Storm sewers (miles)				117	117	119	120	122	122	122
Wastewater										
Sanitary sewers (miles)	118	118	118	118	130	145	145	145	145	145

Capital assets information (public works section) are not available for years prior to fiscal 2004.

Source: City records

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SINGLE AUDIT SECTION



**GROSKREUTZ
SCHMIDT
ABRAHAM
ESHLEMAN
& GERRETSE**

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PARTNERS

Larry D. Groskreutz, C.P.A.
Stephen P. Schmidt, C.P.A.
M.J. Abraham, C.P.A.
Amy Eshleman, C.P.A.
Dale L. Gerretse, C.P.A.

ACCOUNTANTS AND CONSULTANTS

**REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and
Members of the City Council
City of Kankakee, Illinois

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kankakee, Illinois (the City), as of and for the year ended April 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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MEMBERS OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Mayor, City Council, management, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Groskreutz, Schmidt, Abraham, Eskleman & Gerretse

Kankakee, Illinois
November 23, 2010



**GROSCKREUTZ
SCHMIDT
ABRAHAM
ESHLEMAN
& GERRETSE**

www.cpa-kankakee.com

PARTNERS

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ACCOUNTANTS AND CONSULTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Mayor and
Members of the City Council
City of Kankakee, Illinois

Compliance

We have audited the compliance of the City of Kankakee, Illinois (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended April 30, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City of Kankakee complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended April 30, 2010.

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Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Mayor, City Council, management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Groskreutz, Schmidt, Abraham, Eskleman & Gerretse

Kankakee, Illinois
November 23, 2010

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended April 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>MAJOR PROGRAMS</u>			
<u>Department of Housing and Urban Development</u>			
Community Development Block Grant:			
Program year 2008	14.218	B-08-MC-17-0026	\$ 61,898
Program year 2009	14.218	B-09-MC-17-0026	505,516
			<u>567,414</u>
Passed-through Illinois Housing Development Authority:			
Homebuyer Acquisition and Rehabilitation Program	14.239	SHB-50041	57,165
Single Family Owner-Occupied Rehab Program	14.239	HO-2847	225,757
Small Rental Properties Program	14.239	HS-50119	30,463
			<u>313,385</u>
Total Department of Housing and Urban Development			<u>880,799</u>
<u>OTHER PROGRAMS</u>			
<u>Department of Transportation</u>			
Passed-through Illinois Department of Transportation:			
Highway Planning and Construction	20.205	HPP-1125(002)	81,314
Highway Planning and Construction	20.205	HPP-4101(001)	5,491
			<u>86,805</u>
Highway Safety Project	20.601	AL9-2915-600	<u>4,900</u>
Total Department of Transportation			<u>91,705</u>
<u>Department of Housing and Urban Development</u>			
Lead-Based Paint Abatement	14.900	ILL HB 0363-07	952,680
Lead-Based Paint Abatement	14.900	ILL HB 0456-09	94,628
			<u>1,047,308</u>
Economic Development Initiative Special Projects	14.251	B-09-SP-IL-0137	<u>5,000</u>
Total Department of Housing and Urban Development			<u>1,052,308</u>
<u>Institute of Museum and Library Services</u>			
Passed-through Illinois State Library			
Public Library Per Capita and Equalization Aid	45.310		<u>28,071</u>
Total Institute of Museum and Library Services			<u>28,071</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
For the year ended April 30, 2010

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>Department of Homeland Security</u>			
Assistance to Firefighters - Fire Prevention and Safety	97.044	EMW-2009-FP-00065	\$ 11,176
Assistance to Firefighters - Operations and Safety	97.044	EMW-2008-FO-09650	142,463
Assistance to Firefighters - Staffing for Adequate Fire and Emergency Response - Hiring	97.044	EMW-2007-FF-00596	134,920
Total Department of Homeland Security			<u>288,559</u>
<u>Department of Labor</u>			
Passed-through Senior Service America, Inc: Senior Aides Program	17.235	AD-16177-07-60	<u>103,445</u>
Total Department of Labor			<u>103,445</u>
<u>Department of Justice</u>			
FY2007 Justice Assistance Grant Program	16.738	2007-DJ-BX-0341	8,398
FY2006 Justice Assistance Grant Program	16.738	2006-DJ-BX-0852	22,279
Passed-through Kankakee Area Metro Enforcement Group: Expanding Multi-jurisdictional Narcotics Unit	16.738	406005	46,251
Passed-through Illinois Criminal Justice Information Authority: Edward Byrne Memorial Justice Assistance (2007)	16.738	407005	<u>95,000</u>
			<u>171,928</u>
Passed-through Illinois Criminal Justice Information Authority: Law Enforcement/Prosecutor-Based Victim Assistance Services	16.575	209044	21,240
Law Enforcement/Prosecutor-Based Victim Assistance Services	16.575	208044	6,530
			<u>27,770</u>
Edward Byrne Memorial Justice Assistance (2009) - ARRA	16.803	809023	<u>56,000</u>
Community Prosecution & Project Safe Neighborhood	16.609	107025	<u>509</u>
Total Department of Justice			<u>256,207</u>
Total Other Programs			<u>1,820,295</u>
Total Federal Awards			<u>\$2,701,094</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended April 30, 2010

SIGNIFICANT ACCOUNTING POLICIES:

The City's accounting records are maintained in accordance with the accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board.

The significant accounting policies followed by the City are as follows:

Reporting Entity

The financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable.

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Under modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers grant revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual basis of accounting.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until earned.

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended April 30, 2010

SECTION I - SUMMARY OF AUDIT RESULTS:

Financial Statements

1. The auditors' report, dated November 23, 2010, expresses an unqualified opinion on the basic financial statements of the City of Kankakee.
2. No significant deficiencies or material weaknesses on internal control relating to the audit of the basic financial statements of the City of Kankakee are reported.
3. No instances of noncompliance material to the basic financial statements of the City of Kankakee were disclosed during the audit.

Federal Awards

1. No significant deficiencies or material weaknesses on internal control relating to the audit of the major federal award programs of the City of Kankakee are reported.
2. The auditors' report on compliance for the major federal award programs for the City of Kankakee expresses an unqualified opinion on all major federal programs.
3. No audit findings relating to the major federal award programs of the City of Kankakee are reported.
4. Community Development Block Grant (CFDA #14.218) and Home Investment Partnerships Program (CFDA #14.239) were tested as major programs for the year ended April 30, 2010.
5. The threshold for distinguishing Types A and B programs was \$300,000.
6. The City of Kankakee qualified as a low-risk auditee.

SECTION II - FINANCIAL STATEMENT FINDINGS:

No findings are reported.

SECTION III - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS:

No findings were reported.